

## *A Financial Tycoon*



# *"Windsor-Cassel" - The Last Court Jew*

## *Prolegomena to a Biography of Sir Ernest Cassel \**

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### FOREWORD

The story of Sir Ernest Cassel forms a fascinating chapter in the history of Jewish emancipation and assimilation, as well as in the record of that Jewish enterprise which had a significant share in the economic development of Europe and overseas. By the turn of the century this man of German-Jewish origin had become one of the most powerful figures in the very centre of money-power, the City of London, and influential at the Court of St. James.

If no full biography has been written hitherto, this seems to be due, primarily, to the absence of records. Cassel himself, in his talks with the Viennese journalist Sigmund Münz, in 1910, expressed his rather negative attitude towards historiography. He destroyed his correspondence with the late King Edward VII. In all the histories of Edward there is bound to be a gap that only Cassel could have filled, but he was no writer, nor did he consider it his duty to add to the historical knowledge of later generations.<sup>1</sup> Thus, he had probably also ordered that his own records should be destroyed. The present writer obtained confirmation that none were kept from Cassel's nephew, Sir Francis Cassel<sup>2</sup> and from the husband of his late grand-daughter, Viscount Mountbatten of Burma.<sup>3</sup>

Some of Cassel's letters, however, may still be found in the archives of his friends and associates. From the almost weekly exchange of letters over a period of forty years with Jacob H. Schiff, it is very likely that some are preserved in the American Jewish Historical Archives, Cincinnati, where part of the Schiff papers are deposited. As Professor Forest MacDonald is now writing a new biography of J. H. Schiff, our knowledge of his relations with Cassel too should soon be enriched. In Göteborg the archives of *Skandinaviska Banken A.B.* and of Cassel's company, the *Trafik A.B. Grängesberg-Oxelösund* probably contain much interesting material. In the course of sifting the archives of the *Deutsche Bank*, now apparently in progress, some other Cassel material may come to light; and in the Public Record Office in London some interesting "Casseliana" might be found. Cassel's correspondence with Max Warburg was destroyed in Hamburg during the war.

Of the notes published on Cassel — mentioned here in chronological order — the ones written on the basis of personal acquaintance are valuable, such as those

\*This is a shortened version of a much longer manuscript which unavoidably had to be cut as lack of space prevented publication in full in this Year Book. - Ed.

<sup>1</sup>S. Münz, *Eduard VII in Marienbad*, Wien 1934, p. 217.

<sup>2</sup>Letter of 30.3.1967.

<sup>3</sup>Letter of 21.11.1966.

of Sir Sidney Lee (originally Levy) i.a. official biographer of Edward VII in 1925 and of the author of the article on Cassel in the *Dictionary of National Biography* (1927) who had been in Cassel's service for many years; as are those of the banker Saemy Japhet, the author of *Recollections of my Business Life* (London 1931) and of E. F. Benson, the noted author of *As We Were* (London 1932). P. H. Emden, if he did not know Cassel personally, certainly drew on the knowledge of people who did.

It is on some of these sources that Brian Connell, the biographer of the Mountbattens, leans. He also had the advantage of having at his disposal the unpublished notes of Miss Underhill, Cassel's secretary during the last eight years of his life. Thus his "portrait" of Cassel, apart from being an able appreciation of the man, can be considered an important primary source.

These "prolegomena" to a biography of Ernest Cassel are intended to shift the emphasis on Cassel as a Jew and as an entrepreneur and to probe deeper than was done before, as far as the sources permit. It is, admittedly, only a beginning, which, we hope, may encourage others to continue along the indicated lines.

### I. THE LAST COURT JEW

When King Edward, after an enjoyable evening at the St. James's Theatre, asked the Marquis de Soveral whether he, too, had seen Oscar Wilde's new play *The Importance of being Earnest*, Lisbon's witty envoy answered, "No, Sire, but I have seen the importance of being Ernest Cassel."<sup>4</sup>

This often quoted witticism of the Portuguese diplomat, himself a favourite at Edward's court and in London Society, throws light on the extraordinary position held in those days by Sir Ernest Cassel, whose intimate relationship with the King had earned him the nickname "Windsor Cassel".

Cassel's position was, indeed, a unique one. He, as Emden put it

"... fits into no category and cannot be classified under any heading; he was not a banker, nor the head of any great business house, he presided over no board and was not even a director in any of his companies. Yet, for many years, he was one of the most powerful, if not the most powerful financier who, in intimate friendship with most of the prominent people of two continents, acquired a unique personal position. He combined the art of a finished diplomatic negotiator with the gifts of a never-failing visionary, was perfectly straightforward in his methods, and reliability and discretion were the key-notes of his success."<sup>5</sup>

or as Sir Robert Vansittart said:

"He exercised great influence in his time, not only in his own right as a magnate of money, but by acting as financial advisor to the King and all of the King's friends of both sexes. His shrewd judgment was of use to everybody, including himself and the nation."<sup>6</sup>

<sup>4</sup>See B. Connell, *Manifest Destiny*, London 1953, p. 66.

<sup>5</sup>P. H. Emden, *Jews of Britain*, London 1943, p. 334.

<sup>6</sup>Vansittart, *The Mistry Procession*, London 1938, p. 61.

The period of Cassel's active business life, 1870-1910, was a time of rapid expansion of the world economy under the impact of a buoyant industrial capitalism, some aspects of which have led to its being stigmatized as the Age of Imperialism. In this period Cassel operated on a global scale, developing the Swedish iron and steel industry, railways in the U.S. and Mexico, building Nile dams in Egypt, forming central banks and agricultural banks in the Middle East.

It was, as Emden says,<sup>7</sup> his business to make money, and he made it in a relatively short time, not by extracting money from the countries where he operated but by enriching them. A “creative capitalism” distinguished his operations throughout.

They stand favourable comparison with many of the major, well-advertised projects in the developing countries of our own days. Some of these enterprises may have been inspired by his proximity to the throne. In this respect his position was unique indeed.

It was due to Cassel's sound financial advice that the Prince of Wales could indulge in the costly pastimes which he enjoyed so much and that his keeper of the Private Purse, Sir Dighton Probyn, could inform a surprised (parliamentary) commission set up to inquire into the financial position of the new sovereign, that Edward VII had ascended the throne “unencumbered by a single penny of debt”.

Curiously enough, it was another Cassel, Joseph — in fact the first one of this name on record — who two centuries before had filled an almost identical position at the Court of the Wittelsbach Prince Elector at Cologne, the city in which Sir Ernest was born.

## II. THE ANCESTORS

The art of finance seems to have been in the blood of the Cassels, ever since we find records of men of this name. The first, Joseph Cassel, was Court Jew to the Wittelsbach Prince Elector Joseph Clemens (1671-1723), Archbishop of Cologne from 1688.<sup>8</sup> Joseph Clemens introduced the system of the Court Jews to Cologne, as he found the subsidies of Louis XIV insufficient to satisfy his own expensive political ambitions and his lust for luxury.<sup>9</sup>

Joseph's son Hirtz Cassel (II) (ca. 1715) was Purveyor to the Court, and his grandson Meyer Cassel (III) held the lease on the elector's mint at Bonn during 1748-50, but moved later to Deutz. Of the latter's son, Joseph (IV) (1745-1781 or 1805?), the profession is unknown. He lived in Deutz, apparently in good circumstances, as he and his wife (née Hackenbroch) were able to present the synagogue there with a curtain for the *Tora* shrine. His son Moses, or Moises Joseph (V) (1771-1829; wife Gudula, née Wolff) had had a small bank — *Wechselstube* — in Cologne since 1822 which his son, Jacob (VI) (1802-1875)

<sup>7</sup>Emden, *Jews of Britain*, p. 334.

<sup>8</sup>F. L. Carsten, “The Court Jews”, *LBI Year Book III* (1958), p. 143.

<sup>9</sup>W. Treue, in *Monumenta Judaica*, Cologne 1963, p. 422.

inherited from him. Ernest Cassel (VII) was the youngest of Jacob's three children.<sup>10</sup>

The Cassels were a wide-spread family. Most of them, probably, were offspring of Joseph Cassel's sons.

Not long after Joseph Cassel (I) we come across another Court Jew, Loeb Benedict Cassel, who, coming from Offenbach, had settled in Friedberg (Hesse) in 1759 and had become the financial agent of the Count (*Burggraf*) of Friedberg. His son David Loeb Cassel (1766-1847), later known as Leopold Casseler, had become the founder of an important commercial enterprise in Frankfurt a.M.<sup>11</sup>

We do not know whether Loeb Benedict was among the ancestors or relatives of Ernest Cassel, nor one Wolf Cassel,<sup>12</sup> who obtained permission to settle in Cologne in 1798 (the same year, incidentally, as Salomon Oppenheim, who in 1801 transferred there the bank which he had established in Bonn in 1789 and which is still flourishing today). They were the first Jews to be allowed to settle in Cologne after three centuries, a right which not even the Archbishop could obtain for his Court Jews. Salomon Oppenheim became head of the young Jewish community, on whose council we find, from 1850, a Jacob Cassel, a cousin of Ernest's father, also named Jacob.<sup>13</sup>

In 1808, when on Napoleon's order the Jews had to adopt customary Christian names, we find in the *Register* of Names of the Jews of Cologne, as No. 18, Wolfgang, originally Wolf Cassel, still a bachelor at the age of thirty. In the same *Register* is listed as No. 9 Henri (Hayem) Cassel, a pawnbroker, aged thirty-four, with wife and four children (an older brother?), to whom the mayor of the city referred as a "solid citizen" (*guter Bürger*).<sup>14</sup>

We have referred to Ernest's father's cousin Jacob Cassel, who in 1850 was one of the three elected as the leaders of the Jewish Community Council. In 1853 he was elected again, though as a deputy-councillor only.<sup>15</sup> But in 1864 he was among those who established the separatist, strictly traditional orthodox "Adass Yeshurun Synagogue" because they opposed the reform tendencies gaining strength in the community, which they feared would result in the alienation of youth from Judaism. In this synagogue Jacob Cassel, on the high holidays, took over part of the services in an honorary capacity, relieving the official cantor. And we are told that "the highly musical Cassel" instructed other members in the synagogal melodies.<sup>16</sup>

<sup>10</sup>Information received from Dr. Salomon Wolf, Jerusalem, historian of the Jews of Cologne.

<sup>11</sup>H. Gerlach, 'Ein grosser Frankfurter Handelsmann', *Frankfurter Allgemeine Zeitung*, 30.11.66.

<sup>12</sup>Z. Asaria, *Die Juden in Köln*, Cologne 1959, p. 65.

<sup>13</sup>Information from Dr. S. Wolf. See note 10.

<sup>14</sup>A. Kober, 'Das Namensregister der Kölner Juden von 1808', in *Mitteilungen des Gesamtarchivs der Deutschen Juden*, Berlin 1926, vol. 16.

<sup>15</sup>Carl Brisch, *Geschichte der Juden in Köln und Umgebung*, Mülheim a. R. [1879].

<sup>16</sup>Dr. S. Wolf, *Geschichte der Synagogen-Gemeinde Adass Jeshurun Köln*, 1957, p. 13 (Manuscript in the Jewish Historical Archives, Jerusalem; partly reproduced in Asaria, *op. cit.*, p. 246).

The other Jacob Cassel, Ernest's father, "had a small banking business in Cologne which yielded a moderate competence."<sup>17</sup> It had been established, as mentioned before, by his father. Ernest, born in Cologne on the third of March 1852, was the youngest of the three children of Jacob Cassel (died 1875) by his wife Amalia née Rosenheim (died 1874). His older brother Max (b. 1848) died in 1875; Ernest was to remain most devoted to his sister.

### III. THE EARLY YEARS

"Cassel's early life", as his contemporary, Saemy Japhet,<sup>18</sup> was able to tell, "was happy. Home influence and his school education were in complete harmony, while the surroundings of his home were such as to exercise a wholesome and lasting influence on any intelligent youth." But Cassel's remark in his last year to Miss Underhill, his social secretary: "I think you must have had a very much happier home than I had when I was young," seems to contradict the impression which Japhet had received from Cassel's stories of his youth in Cologne.<sup>19</sup> He was an excellent pupil but left school at the age of fourteen. He entered, as an apprentice, the Bank of J. W. Eltzbacher & Co., whose owners, originally from Amsterdam, had opened in Cologne in 1858 and dealt mainly with financing larger industrial concerns and foreign business. The banks in Cologne became prime movers of the Rhenish industrial and railway development.<sup>20</sup> There is little doubt that the training received in this environment had a lasting effect on Cassel. Soon Cologne became too narrow in scope for his ambition, so in January 1869 he set out for England at the age of sixteen "...with a bag of clothes and his violin — the last occasion on which this musical instrument appears in his story..."<sup>21</sup> and he arrived in Liverpool as an immigrant. He found a job as a clerk with a firm of grain merchants, Blessing, Braun & Co., who it seems also came from Germany. With them he stayed only a little over a year. In April 1870 he obtained a clerkship with the Anglo-Egyptian Bank in Paris. This, however, was of short duration, as, being a German subject, he had to leave Paris on the outbreak of the Franco-German War. He returned to England "with an introduction to the financial house of Bischoffsheim & Goldschmidt (in London) which was interested in the Franco-Egyptian Bank".<sup>22</sup>

There are several versions of how Cassel came to Bischoffsheim & Goldschmidt. According to the *Times* obituary,<sup>23</sup> it was Baron Hirsch who had introduced

<sup>17</sup>*Dictionary of National Biography* (D.N.B.), vol. 1912-21, p. 97.

<sup>18</sup>S. Japhet, *op. cit.*, p. 125.

<sup>19</sup>B. Connell, *op. cit.*, p. 85.

<sup>20</sup>W. Treue, *Monumenta Judaica*, p. 445.

<sup>21</sup>Connell, *op. cit.*, p. 57. - It seems that Cassel was heir to his father's cousin's musical gifts. He is said to have been an able performer on the violin and, as he apparently told Benson, as a young boy he had dreamed of becoming a professional artist (Benson, *op. cit.*, p. 235). But "his father [had] offered him the choice of becoming a professional chess player as an alternative to a business career." (Connell, *op. cit.*, p. 56.)

<sup>22</sup>D.N.B., vol. 1912-1921, p. 97.

<sup>23</sup>*The Times*, London, 23.9.1921.

Cassel to them. More dramatic is the story that Cassel, on his return to London, chanced to hear that Louis Bischoffsheim, senior partner of Bischoffsheim & Goldschmidt, was looking for a confidential clerk, whereupon he sent in this application:

"Dear Sirs,

I apply for the position in your office and refer you to my former chiefs, Messrs. Eltzbacher, Cologne.

Yours sincerely,  
Ernst Cassel"

Among the hundreds of applications, mostly in the verbose, flowery and self-praising style of those days, Cassel's straightforward and self-confident note made a deep impression upon Louis Bischoffsheim who said, "That's our man." This version was told by Sir Sidney Lee in 1925.<sup>24</sup> It was repeated by Saemy Japhet, a close business associate and compatriot in 1931, and afterwards by several authors of a later generation.

The account in the *D.N.B.* is reported to have been compiled by Mr. Geddes<sup>25</sup> who had started with Cassel as an office junior in 1893 and finished up as Managing Director of Sir Ernest's company (he died in 1955). It must, therefore, be considered authoritative as well. Münz's story that in 1870 Cassel had found a position with Bischoffsheim & Goldschmidt in Paris, but on the outbreak of the war was recommended by them to their London house, is probably based on hearsay.<sup>26</sup>

In the *Times* version, mentioned above, we are told that in the middle of the seventies Cassel was recommended by Baron Hirsch to Louis Bischoffsheim for some important and intricate job which he carried through with great success and thus became known to a few leading men in the City. According to the *Financial Times* obituary Cassel's rise was much less rapid than commonly supposed. His financial genius was recognised by his amalgamation of Vickers with Barrow Naval Construction (i.e. 1897). He subsequently became associated with Baron Hirsch.

Both these newspaper stories are quoted here, because they point at a special relationship between Cassel and Baron Hirsch, to which we shall revert in due course.

#### IV. PROVING HIS METTLE

Cassel was soon to show his unusual talents. Within a year his firm sent him to Constantinople, as Connel states, to look into the affairs of a Jewish firm there (in which Bischoffsheim had some interests), which had got into financial

<sup>24</sup>Sir Sidney Lee, *King Edward VII*, London 1925, pp. 60-62.

<sup>25</sup>Letter from Lord Mountbatten of Burma, 21.11.1966. - The actual article, however, is signed H. Ch. (Hugh Chisholm) who quotes as a source "Private Information". It would appear that Chisholm edited a draft supplied by Geddes.

<sup>26</sup>Münz, *op. cit.*, p. 223.



difficulties.<sup>27</sup> It was expected that it would take at least a year to save something from the wreck, yet within three months Cassel was back at Bischoffsheims, investment intact, and with a substantial commission for himself.<sup>28</sup> In 1873, i.e. about the time of the above operation, the Bischoffsheims, jointly with the Ottoman Bank, formed the Bank of Constantinople. This, presumably, is the form which the rescue operation took.

Cassel had started work at an annual salary of £200, and then one day Henry Bischoffsheim offered him a rise to £500. "You mean £5,000, Mr. Bischoffsheim" was Cassel's reply. And Bischoffsheim quickly confirmed: "£5,000, of course."

Whether this story is true or not, the spectacular rise in Cassel's salary took place, according to Emden, after he had successfully settled a very complicated and unfortunate engagement "in connection with Nicaragua".<sup>29</sup> The firm had had considerable troubles with loans in many Latin-American countries whose default soon led to the appointment of a Parliamentary Committee in 1875. The enquiry produced criticism of the methods used by loan contractors such as Bischoffsheim & Goldschmidt.<sup>30</sup> The firm certainly offered ample scope to an ambitious and able troubleshooter. By 1878, the year he got married, Cassel had been able to put aside a capital of £150,000, largely made on commission earned by the liquidation of troublesome ventures, and probably also on some first investments of his own.

## V. A LIFE-LONG FRIENDSHIP

JACOB HENRY SCHIFF (1847 - 1920)

It was Jacob H. Schiff, a native of Frankfurt a.M. who raised Kuhn, Loeb & Co. to a pre-eminence among American private banks, second only to J. P. Morgan & Co. He was a titan in the battles for control of American railroads, allying himself with Edward Harriman against James Hill and J. P. Morgan for control of the Northern Pacific.<sup>31</sup> He directed the firm from 1875 till his death in 1920, raising capital (much of it from Europe) to finance a rapidly industrializing United States.

Schiff's earliest personal relations with railway companies seem to have been i.a. with the Erie, and the Louisville & Nashville,<sup>32</sup> the two railroads in which Cassel was interested, the first on account of Bischoffsheim & Goldschmidt, the latter already on his own account. The reconstruction of the Erie, which, as Emden states, had failed in 1875, was another of Cassel's early successes for his

<sup>27</sup>Benson's version is that Cassel was lent by his employers for this task.

<sup>28</sup>Connell, *op. cit.*, p. 57.

<sup>29</sup>Emden, *Jews of Britain*, pp. 334-335.

<sup>30</sup>L. H. Jenks, *The Migration of British Capital to 1875*, New York & London 1927, pp. 269, 421-424; Emden, *Money Powers of Europe in the Nineteenth and Twentieth Centuries*, London 1937, pp. 330, 403; D. Joslin, *A Century of Banking in South America*, London 1963, pp. 9, 63.

<sup>31</sup>*New York Times*, 1.2.1967, on Kuhn, Loeb & Co. Centenary.

<sup>32</sup>C. Adler, *Jacob H. Schiff*, New York 1928, vol. I, p. 50.

firm.<sup>33</sup> And, according to Japhet, it was this business which brought him in contact with Schiff.<sup>34</sup> It was apparently in the spring of 1879 that Cassel, on one of his visits to New York, made Schiff's acquaintance through a mutual friend, Louis Marx. This acquaintance developed into "the closest friendship and the most intimate relationship which Schiff had with any man outside his own family..."<sup>35</sup> About fifteen hundred letters from Schiff to Cassel, dating from 1880, have been preserved,<sup>36</sup> and even the first of these gives some indication of the unique place which Cassel held in the circle of those with whom Schiff and his firm were doing business.<sup>37</sup>

Although Schiff was still a junior member of Kuhn, Loeb & Co., it was to him that Cassel looked for advice on the American market. And Schiff wrote to Cassel on 28.5.1883:

"For many reasons we are seeking another brokerage connection in London, and while we are daily receiving many offers, our transactions require brokers specially qualified to form a desirable connection for us. It is after all no great feat to execute orders promptly on the Stock Exchange. What we have to stress especially is that our brokers shall always be on the alert, understand the American market well (which can easily be learned with a little practice), and call our attention to possible transactions in London. Their responsibility and credit must be beyond question, so that we can entrust them with large amounts of money; and they must be able to discount our remittances easily, and get renewals for us at the most favourable money rates."<sup>38</sup>

Cassel, at the time that letter was written, was still employed as manager of Bischoffsheim & Goldschmidt, a position from which he resigned a year later. Did that letter induce him to take that step, and was it meant to? After all, he never became a broker, and his relationship with Schiff or Kuhn, Loeb & Co., while it answered many of the requirements outlined in Schiff's letter, was one of principal to principal, and not of principal to agent. Thus Connell's conclusion that Cassel took that letter as a hint to resign from Bischoffsheim & Goldschmidt leaves some doubt in our mind.<sup>39</sup>

The two men had much in common. One of his successors described Schiff as "aggressively ambitious, adventurous, opinionated and strong-willed",<sup>40</sup> while Cassel was described by Margot Asquith as "a man of natural authority... dignified, autocratic and wise; with a power of loving those he cared for..."<sup>41</sup> It seems that these characterizations hold good for both men. They had both risen from a modest German-Jewish middle-class background to pre-eminence in the international financial world in relatively early stages of their careers. Adler calls Schiff "almost straitlaced".<sup>42</sup> Margot Asquith says of Cassel that "he had no small

<sup>33</sup> Emden, *Jews of Britain*, p. 335.

<sup>34</sup> Japhet, *op. cit.*, p. 127.

<sup>35</sup> Adler, *op. cit.*, vol. II, pp. 327, 329.

<sup>36</sup> The letters are kept in the American Jewish Historical Archives, Cincinnati.

<sup>37</sup> Adler, *op. cit.*, vol. I, p. 12.

<sup>38</sup> *Ibid.*, vol. I, p. 14.

<sup>39</sup> Connell, *op. cit.*, p. 63.

<sup>40</sup> Cf. note 31.

<sup>41</sup> See Adler, *op. cit.*, vol. II, p. 328.

<sup>42</sup> *Ibid.*

talk and disliked gossip". But in other ways they were as apart as the poles. Both were philanthropists on a large scale, but while Schiff took a deep personal interest in the progress of the many (largely educational) institutions he had generously endowed, this cannot be said of Cassel. He gave lavishly of his money, but not of himself. While Schiff was a deeply religious, observant and loyal Jew, Cassel did not hesitate, though out of loyalty to his dying wife's wishes, to change his religion. And different, too, were the pastimes they liked. Still, they enjoyed spending holidays together, particularly in the Swiss mountains which they both loved, or in Egypt. It was in 1890, in the autumn, when Schiff with his wife and their two children, and Cassel with his sister and her son, were exploring the lower ranges of Mont Blanc, that Frieda, Schiff's daughter (later to become Mrs. Felix Warburg), slipped and fell down a crevasse. Cassel without a moment's hesitation jumped after her and saved her from serious injury apart from a broken shoulder. Schiff, ready to jump after them, was kept back by Cassel's nephew (and later heir to the title) Felix. This incident deepened Schiff's friendship into a boundless devotion to Cassel.<sup>43</sup>

Schiff's almost weekly letters to Cassel over the four decades 1880-1920, which, though primarily devoted to business developments, usually contain family news, reflect an intimacy and warm personal note one rarely finds in a business correspondence. (Unfortunately those of Cassel's letters which may have been preserved in the Schiff archives have not yet been published.)

It had been the affairs of the Erie Railway which, in the late seventies, had brought Cassel to New York, and it had apparently been through him that Schiff had become involved in this business and had joined the board of the Erie company, from which he resigned in 1884.<sup>44</sup> The *D.N.B.*<sup>45</sup> does not mention the name of this company, but refers to Cassel's success, notably in the disentanglement of the affairs of the New York, Pennsylvania & Ohio Railway; British security holders, early in 1883, had arranged a lease to the Erie, a deal considered advantageous to both.<sup>46</sup> In 1893 both railroads were again in difficulties. Cassel and Schiff co-operated in negotiating an extension of maturing Prior Lien Bonds of the New York, Pennsylvania & Ohio. By the end of that year this operation had apparently been successfully concluded, and this seems to have terminated Schiff's and his firm's connection with Erie (and probably also Cassel's, by now on his own).

Schiff's resignation from the Erie board in 1884 may have been prompted by his preoccupation with a new railway business which in that year was suggested to his firm: the Louisville-Nashville Railway. After the financial crisis of 1884, the house of Wertheim & Gompertz, Amsterdam, had invited Kuhn, Loeb & Co. to join them in a syndicate for underwriting an issue of new Adjustment Bonds and Preferred Shares. While Kuhn, Loeb & Co. were unwilling to assume the

<sup>43</sup>Connell, *op. cit.*, pp. 63-64.

<sup>44</sup>Adler, *op. cit.*, vol. I, p. 51.

<sup>45</sup>*D.N.B.*, vol. 1912-21, p. 97.

<sup>46</sup>Adler, *op. cit.*, vol. I, p. 52.

moral responsibility for the bonds, they were willing to conduct negotiations for it in the U.S., provided Cassel would do the same in England. While this proposal was not accepted<sup>47</sup>, it seems that the syndicate became financially interested in this railroad by the end of 1887. Between that time and the end of 1894 they were active in its development.

There were also other, possibly smaller, railway projects in which Schiff and Cassel were associated. They also co-operated in financing Mexican enterprises, particularly railways. In 1888, 1890 and 1893 Cassel negotiated loans for the Mexican government. When the latter, however, subsequently rejected his well thought out and carefully prepared plans (why, one wonders) he never again touched any business connected in any way with Mexico, a decision, as Emden comments<sup>48</sup>, which worked to his advantage.

In 1899 Schiff asked Cassel whether he would be interested in American industrial securities, in which Kuhn, Loeb & Co. were investing, though in moderate amounts owing to the risk involved<sup>49</sup>, and thus we see them, in that year, jointly interested in the American Beet Sugar Co.<sup>50</sup> A year later, in 1890, it is Cassel who interests Schiff in the shares of Anaconda, and from then onwards they collaborate with the Guggenheims in the development of their concern,<sup>51</sup> and its financing.

There was another field in which the two co-operated. In 1904, during the Japanese-Russian War, Japan tried to raise a £10 m. loan in London. The London bankers were willing to take up £5 m. at first, with a possible £5 m. to follow at a later date, but Japan needed the whole amount at once. Schiff was then on a visit in London. His sympathies were with Japan. He detested the Czarist regime because of its persecution of the Jews. So, after only short deliberation, apparently also after consultation with Cassel who was well-informed on international relations and economic conditions, he underwrote the other half of the Japanese loan. It was a pioneering enterprise, because the U.S. had not hitherto been a market for government loans. The British government was particularly pleased to be associated in this loan with U.S. interests. Edward VII gave a luncheon for Schiff and Cassel upon the conclusion of the loan negotiations.<sup>52</sup>

Schiff's house consistently refrained from negotiating any loan to Russia, and he disagreed with Cassel, who apparently thought that if the European (Jewish) bankers were to treat Russia, then under Stolypin, in a more conciliatory way, it would be to the advantage of the Russian Jews.<sup>53</sup> And indeed, "offers were made by agents of the Russian government", when Russia was pressed for funds, "to relax the restrictions upon the Jews in a particular province in exchange for a loan of fifty million dollars. Mr. Schiff invariably rejected such advances, declining

<sup>47</sup>*Ibid.*, p. 28.

<sup>48</sup>Emden, *Jews of Britain*, p. 336.

<sup>49</sup>Adler, *op. cit.*, vol. I, p. 27.

<sup>50</sup>*Ibid.*, p. 170.

<sup>51</sup>*Ibid.*, p. 255.

<sup>52</sup>*Ibid.*, p. 213.

<sup>53</sup>*Ibid.*, vol. II, pp. 140, 141.

to buy better treatment for a section of his correlative which he held should be accorded them as a matter of right”.<sup>54</sup> Kuhn, Loeb & Co. raised no loans for the Allies until the fall of the Czarist regime in 1917, when Schiff gave financial support to the Kerensky regime on which he had put high hopes for a betterment of the position of the Jews in Russia.<sup>55</sup> Lord Reading, who headed the British-French financial mission to the U.S. in 1915, appreciated Schiff’s attitude.<sup>56</sup> (As Cassel was a member of that mission, it is surprising not to find his name in the Schiff story).

## VI. GOLD FOR IRON

One of Cassel’s earliest major operations, which took a quarter of a century to bring to its successful conclusion, took place in Sweden. Here he found “the first considerable scope for his abilities and his creative methods”.<sup>57</sup>

The Railway Age came to Sweden rather late. Only in 1853/54 had the *Rijksdag* decided that the State was to build the main lines, with the aid of foreign loans, and to leave to private enterprise the construction of secondary lines. The first railway was opened in 1856; in 1862 the important Stockholm-Göteborg main line was completed.<sup>58</sup> The loans for the government-built lines were largely raised in London. And it was also predominantly British capital which had been invested in the construction of secondary lines. Thus the shares of the Royal Swedish Railway Co. Ltd. (incorporated in England in 1852 and opened in 1867), of the Swedish Central Railway Co. Ltd. (formed in 1869 and opened in 1873) and of the Oxelösund Railway were largely in the hands of British investors.<sup>59</sup> Among them were Bischoffsheim & Goldschmidt, who had locked up vast sums in the Swedish Central, which not only brought no return, but seemed to remain a losing venture. Cassel quickly realized not only that the three separate and rival lines which together connected the important iron deposits of Grängesberg with the Baltic port of Oxelösund should be combined in one concern, but also that the earnings and profitability of the railway depended on the quantity of ore carried. The working of the mines, however, proved unremunerative: there was little demand for this phosphorus ore. But here Cassel was helped by a technological break-through: the invention in 1878/79 by two Englishmen, S. G. Thomas and S. Gilchrist, of the so-called Thomas-Process for the making of basic steel, even from phosphorus ore. It “was an event of world

<sup>54</sup>C. Adler, *Jacob H. Schiff. A Biographical Sketch*, New York 1921, pp. 16-17.

<sup>55</sup>*Ibid.*, p. 19.

<sup>56</sup>Adler, *Jacob H. Schiff*, New York 1928, p. 251.

<sup>57</sup>Emden, *Jews of Britain*, p. 335.

<sup>58</sup>I. Anderson, *Schwedische Geschichte*, Munich 1950, pp. 139-140; 404, see also Heckscher, *Economic History of Sweden*, London 1954, p. 219.

<sup>59</sup>Leading among these seems to have been the merchant banking house of Thomas, Bonat & Co., specialists in the Baltic trade, one of the Bank of England houses, which in 1859, jointly with Bischoffsheim & Goldschmidt, had formed a bank in Paris for industrial finance. They seem to have been the principal interested party in the English-Swedish Bank (1867-1870); Jenks, *op. cit.*, p. 176; also E. Soderlund, *Skandinaviska Banken, Det Svenska Bank-väsendets historia, 1864-1914*, Stockholm 1964, p. 268.

import", as Landes states.<sup>60</sup> Cassel immediately took a deep interest in the new process and he apparently acquired the rights in it for Sweden. More important however: realizing the effect which the Thomas-Process (which had been introduced on the Continent at the same time) would have on the demand for Swedish ore, he bought a substantial interest in the struggling Grängesberg mines and possibly in steel mills and the railway company as well.

As far as the railway business is concerned, in 1883 talks took place on an equitable settlement between the Swedish banks and the English interests, united in the Swedish Association Ltd., a shareholders' pool. Cassel had joined the board of this Association in the summer of 1882 and visited Sweden for the first time in 1883, when an agreement was reached about debt conversion. From 1885 he served also on the board of the mining and railway companies, and became powerful in all the concerns in which the Association had an interest.

Meanwhile the effect of the Thomas-Process made itself felt. Exports rose from practically nil to 17,000 tons, then to 30,000. The railway's capacity was 20,000 and the traffic manager considered this an optimum. But by 1889 the exports to be carried exceeded 100,000 tons and by 1892 125,000 tons. Cassel had taken the sales in hand. So the board had not been wrong when, in spite of the traffic manager's pessimism, it had decided on investing heavily in expansion.

In 1894 Cassel had acquired a large interest in the above mentioned Swedish Association. His plan was to form a new company which would own the three hitherto separate railway concerns and harbour installations at Oxelösund, and have an option on the purchase of the mines. In June 1896 he came to Stockholm, together with his associate, Frederic Warburg, in order to carry out this scheme. Needing, as he did, local backing for this purpose, he discussed it first with his friends of the *Kreditbolaget*. Theodor Mannheimer, its Managing Director, while willing to join in the venture, objected to a number of details, such as Cassel's idea of selling the shares above par, which he found not suitable for Sweden. The talks with Cassel, according to the archives of the *Kreditbolaget*, were difficult and several times seemed to be on the verge of breaking up. But finally Cassel, who apparently could not find another partner of equal standing and reputation, gave in, also to the bank's insistence that Cassel should not be entitled to decide alone on the policies of the new concern. It was finally decided to incorporate the new concern as the Grängesberg Oxelösund Traffic Company, also owning the mines, with a capital of £995,000 or Kr. 19,050,000 (£785,000 for the railways and £210,000 for the mines). The allotment of *Kreditbolaget* was 2,826,000 Kr., held on its behalf by the Swedish Association. The subscribers were:

E. Cassel	Kr. 8,780,000
Swedish Association	8,564,000
F. E. Warburg	830,000
John Johnson	112,000
C. F. Liljevatch	674,000
Vollrath Tham	90,000
	Kr. 19,050,000

<sup>60</sup>D. S. Landes, "Technological Change and Development in Western Europe, 1750-1914", in *Cambridge Economic History*, vol. VI/VII, Cambridge 1963, p. 486.



Cassel returned to Stockholm for the official formation of the company on 30th July 1896. It was not a very harmonious affair.

Mannheimer and Langenskiöld disliked Cassel and did not care for his manner. The latter called him “The Great Mogul”. Both were critical of his business methods. They were to have many dealings with him in the coming years. Both were on the board of the new company, which Cassel was not, and represented a more conservative element, opposing what they considered speculative expansion. They suspected Cassel of wanting to push up the price of the company’s shares in order to sell them at a high price. In 1896 prices had reached 190. In 1897 Cassel, for his sales through a broker firm, realized 155/166, the Swedish Association 170, the *Kreditbolaget* 157/160.

Cassel did not sell below 140, but at this price he sold, even when the market was higher, to friends, bankers as well as to politically influential people and to journalists. Mannheimer called it “Cassel’s greasing system”. But the *Kreditbolaget* which, as Cassel’s bankers, knew of these sales, could do nothing about it but transfer the yield to London. Eventually more than half of the shares were Swedish-held.

The *Kreditbolaget* had every reason to be satisfied with the deal. Not only was it the biggest and most profitable business they had ever had, but they had also gained as a client Sweden’s biggest enterprise: the *Grängesberg Traffic Co.* The issue had helped to create a Swedish capital market. Cassel’s enterprise had a “multiplier effect” on Sweden’s economy which went beyond his own expectations.

The formation of the new concern came as a disappointment to the leaders of the Stockholm *Enskilde Bank*, the Wallenbergs, who had been protagonists of local investment in the mining industry and who had been interested in the Gällivare deposits. “The Englishman” Cassel, who held 95% of the shares of the new concern in his hands, was feared as a powerful opponent who had appeared on the scene and had consolidated his position, securing as an ally that very bank, *Skandinaviska Kredit A.B.*, with which K. A. Wallenberg<sup>61</sup> had been trying to co-operate and which was closely connected with *Skånes Enskilda Bank*<sup>62</sup> (i.e. the biggest Swedish Bank, *S. Kredit A.B.* being the second biggest).

The fear now persisted that Grängesberg would succeed in buying up Gällivare, and if so, it would be with Cassel’s money, and ownership would virtually, if not technically — as Cassel was not on the board of directors — be in foreign hands.<sup>63</sup>

<sup>61</sup>The Wallenbergs’ relations with Mannheimer were somewhat ambivalent. They, like many of the other private bankers, “resented the influence wielded by the cosmopolitans” in Swedish banking. This was true of the limited liability banks whose principal leaders were to a great extent Jews, with strong allegiances in foreign countries as well as in Sweden. This group included such men as Theodor Mannheimer and Henrik Davidson of the *Skandinaviska Kredit A.B.*, Eduard Heckscher of *Industrie Kredit A.B.*, and Louis Fraenckel of *A.B. Stockholms Handelsbank*. (Olle Gasslander, *History of Stockholm’s Enskilde Bank till 1942*, Stockholm 1962, p. 277.)

<sup>62</sup>*Ibid.*, p. 234.

<sup>63</sup>*Ibid.*, p. 366.

Meanwhile Grängesberg was accused of doing its best to injure the reputation of its competitor.<sup>64</sup> And, after the attempt to make the government take over these mines had failed, Grängesberg in July 1903 succeeded in buying them. K. A. Wallenberg's letter to his brother at that time is an interesting postscript to that transaction:

"... I am very glad to have finished with the mining business up there, and the right people have not got control, though the way it all happened has been nothing but scandalous. The very people who for years had been trying to undermine the whole thing by chatter and gossip and press intrigue have now rushed to buy, and paid far more than we thought reasonable. Last year Luorsavaara was supposed a rotten swindle, but now its 1,00 Kr. shares are worth 2,800 Kr. a piece. And the safety of our country has been preserved because Cassel, the London Jew, directs the companies!"<sup>65</sup>

## VII. ARRIVÉ

Cassel, then, was already in flourishing circumstances when in 1878 he married Annette, daughter of Robert Thompson Maxwell of Croft House, Croft, Darlington. On the day of his marriage he became a British subject by legal naturalization. A happy married life was cut short by the early death of his wife in 1881, three years later. By her dying wish, not to be separated in the life hereafter, Cassel agreed to accept her creed, i.e. the Catholic faith, a fact which during his lifetime became known to few, and generally known only at his funeral.

"The interest in Sweden... laid the foundation of Cassel's fortune which in 1881, before he had reached the age of thirty, was already estimated to amount to £150,000."<sup>66</sup> And, adds the *D.N.B.*, "in the next fifteen years [i.e. by 1896] the increasing magnitude of his operations made him one of the wealthiest and most powerful financiers in the City of London."<sup>67</sup>

His association with the Bischoffsheims until 1884 was more on a profit-sharing than on a salaried basis. He never became a partner. And even when he severed his official connections with them and started out completely on his own, he continued to occupy part of their premises in Throgmorton Street. Only in 1898 did he take an office of his own in Old Bond Street which he occupied till he retired from active business in 1910.<sup>68</sup>

At first, in his independent business life, he had no success and we do not know precisely when Cassel's fortune changed, nor how, but it seems that the turning point must have been in about 1888/89. In 1899 Cassel transferred his residence from 2 Orme Square, Bayswater, what would have been an "upper-middle class" address, to 48 Grosvenor Square, a distinctly "superior" address. Here he stayed until moving, in 1908, into his new and palatial "Brook House"

<sup>64</sup>*Ibid.*, p. 375.

<sup>65</sup>*Ibid.*, p. 378.

<sup>66</sup>Emden, *Jews of Britain*, p. 335.

<sup>67</sup>*D.N.B.*, vol. 1912-21, p. 97.

<sup>68</sup>*Ibid.*



on Park Lane.<sup>69</sup> This change of addresses can be taken as an expression of his rising fortunes.

We may guess that it was his meeting with Baron Maurice de Hirsch, Bischoffsheim's brother-in-law, which was of decisive importance for Cassel's career. Hirsch, as Saemy Japhet recalls:

"... recognized genius wherever he found it. His admiration drew him to Cassel. He sponsored him in business as well as socially, and promised him that whenever he wanted to do some big thing on his own account he would support him to the fullest extent. From that moment Cassel became a power in the City. Even before that he had done business on his own account, under conditions that were sometimes difficult. Now, however, he was independent and on a level with the big City houses. And he made use of his opportunities."<sup>70</sup>

When Hirsch died in 1896, Cassel became one of the executors under his will. And more than that; Hirsch had been private banker and financial adviser to the Prince of Wales. Cassel, who had apparently been introduced to the Prince at a race-meeting about that time, "was to improve on these two functions. Where Hirsch had been an intimate, Cassel was to become Edward VII's closest personal friend".<sup>71</sup>

#### VIII. SOME IMPORTANT "MINOR" BUSINESSES

In 1897 Cassel was instrumental, so the *D.N.B.* records <sup>72</sup>, in purchasing the Barrow Naval and Shipbuilding Construction Company for amalgamation with Vickers Sons & Co., and, after the merger of the Maxim Gun and Nordenfellt companies, in acquiring this combine also for Vickers. For some years thereafter he underwrote the chief financial issues for the Vickers company and its subsidiaries. Maxim Guns & Ammunition was bought for £1,353,334 and the whole sum was paid promptly, partly in cash, with Cassel's aid, and partly in Vickers shares.<sup>73</sup>

R. Neumann recalls that the *Economist* (1913/14) had to admit that the Foreign Office, in the course of its diplomatic labours, saw to it that Vickers and Armstrongs (then still competitors) got orders for munitions. The biggest English bankers (Rothschild, Cassel) made similar conditions when they were granting loans to foreign governments.<sup>74</sup>

As the *D.N.B.* tells us, Cassel took a leading part in the financing of the Electric Traction Co. Ltd. formed in 1894, which a year later underwrote the Central London Railways. It was opened in 1900, connecting the Bank with Shepherd's Bush, and became popular as the Twopenny Tube.<sup>75</sup> As the

<sup>69</sup>*Ibid.*, p. 99.

<sup>70</sup>Japhet, *op. cit.*, p. 127.

<sup>71</sup>Connell, *op. cit.*, p. 65. On Hirsch and Edward VII see also S. Adler-Rudel, 'Moritz Baron Hirsch' in *LB Year Book VIII* (1963), p. 38.

<sup>72</sup>*D.N.B.*, vol. 1912-21, p. 98.

<sup>73</sup>R. Lewinsohn, *The Man behind the Scenes - The Career of Sir Basil Zaharoff*, London 1929, p. 96.

<sup>74</sup>R. Neumann, *Zaharoff, the Armaments King*, London 1938, p. 157.

<sup>75</sup>*D.N.B.*, vol. 1912-21, p. 98; see also Emden, *Jews of Britain*, p. 337.

*Times* obituary comments,<sup>76</sup> the enterprise, though considered a great boon for London, was not a source of much profit to its promoters. Cassel himself remarked some time after the opening of the line, that the best way of making money would have been to let somebody else build it and to buy the land at its western terminal. There were discussions of other projects, such as a great shipping merger in 1902 or the establishment of huge steel works in India,<sup>77</sup> which, however, apparently came to naught.

#### IX. CASSEL IN EGYPT

In supplementing Lord Millner's classic *England in Egypt* (1889) by an appendix on the years 1892 to 1898, Sir Clinton Dawkins notes that... "The year 1898 will be a landmark in the story of the British occupation".

In that year

"the foundation stone was laid for the great Assuan dam, which will change the face of the country and constitute one of the noblest monuments to civil rule in the world. A first blow has been struck at the international top-hammer of modern Egypt by an arrangement for securing the extinction of the Daira Sanieh Debt in 1905. The increased facilities for credit afforded by the establishment of the National Bank with a right to issue notes will meet the need of commercial expansion and help to lower the rate of interest in the provinces."<sup>78</sup>

In February, 1898, the contract was signed for the construction of the Assuan dam and the Assiut Barrage, on June 21st the contract for the sale of the Daira Sanieh Estates was completed and on June 25th the Decree was promulgated for the creation of the National Bank of Egypt.<sup>79</sup> In his notes Sir Clinton omitted to mention, probably quite unintentionally, that it was one man, Ernest Cassel, who had made possible the realization of these three major and vitally important enterprises. Since law and order had been restored in Egypt, foreign capital had flowed into the country in a steady stream, but the importance of British investments had remained far below those of France, until Cassel's appearance on the banks of the Nile.

Cassel, as the *D.N.B.* states, had been interested in Egypt from early years.<sup>80</sup> As we have seen, he had been employed, though for a short while only in 1870, by the Anglo-Egyptian Bank in Paris, and during his years with the Bischoffsheims he had, no doubt, become well acquainted with the affairs of the Franco-Egyptian Bank, their affiliate since 1868.

The policy of increasing the water sources had started to occupy the authorities in the early nineties. By 1895 the technical questions seemed to have been solved. The cost of the whole scheme, prepared by Sir William Garston, providing for a dam at Assuan, a barrage at Assiut and accessory works,

<sup>76</sup>*The Times*, London, 23.9.1921.

<sup>77</sup>Reginald Viscount Esher, *Letters and Journals*, vol. I, pp. 332, 338-339.

<sup>78</sup>A. Milner, *England in Egypt*, 7th ed., London 1898, p. 380.

<sup>79</sup>*National Bank of Egypt*, 1898-1948, Cairo 1948, p. 15.

<sup>80</sup>*D.N.B.*, vol. 1912-21, p. 98.

was estimated at E£ 2,000,000. (It actually exceeded E£ 3,450,000 by its completion in 1902.)

Political difficulties prevented an early implementation of the project. The *Caisse de la Dette* (composed of representatives of France, England, Germany, Austria, Russia and Italy) which then controlled Egypt's finances, demanded that the contract be put up for tender. The government objected, claiming that the tendering firms would require at least two years to study the scheme and on receipt of their offers six months would be required to study the plans submitted, so that precious years would be lost; while a reputable firm of high standing, Messrs. Aird & Co., were willing to execute the Garston scheme straightaway. But time was lost, nevertheless, while an International Commission, as was usual in such disputes, sat on the scheme; eventually the contract was signed with Messrs. Aird. Of course the question arose of how to finance the scheme. Cassel was approached — by whom we do not know — and readily accepted the financial responsibility to the contractors. The Egyptian government undertook to repay him in a series of sixty half-yearly instalments of £78,613, from the date of the completion of the scheme. These payments corresponded to a thirty years' loan of £2 million at 6%. Thus Cassel earned the merit of bringing the scheme to accomplishment.

Cassel's second major transaction in that year, the *Daira Sanieh*, may have been an outcome of the first. It was evident that with the forthcoming availability of larger irrigation facilities, land prices were bound to rise sky-high. Thus investment in land was sound business. And an interesting proposition was soon made to Cassel by the Cairo banker Raphael Suares of Suares Bros., an old-established house of merchant-bankers. This firm had obtained the concession (or option thereof) for the purchase of the *Daira Sanieh* Estates for E£6 million, as well as for the establishment of the National Bank. Unwilling or unable to provide the entire capital necessary for the two ventures, Suares embarked for Europe and was advised to see Cassel. Offering a fifty percent share in the *Daira* scheme, Cassel said, “I know nothing of this class of business; what do you think it ought to yield?” When Suarez answered that he was looking for a profit of about E£ 1 million, the deal was concluded. Suarez's suggestion of Sir Eric Palmer, then Financial Adviser to the government at Cairo, as future head of the projected National Bank met with Cassel's approval.

The *Daira Sanieh* Estates (sugar plantations) had been pledged by the former *Khedive Ismail* as collateral for a loan in 1870 of £7,142,860 (of which he had actually received 75%, i.e. £5 million, from the Bischoffsheims) or over £9 million with accrued interest charges.<sup>81</sup> These estates were administered by a board of three, i.e. an Egyptian Director-General, one British and one French Controller, but showed a loss up to 1891 and unsatisfactory profits thereafter. Therefore, the option given to Suares for the purchase of the estates for £6,481,500, was to “free the administration of a millstone round its

<sup>81</sup>D. S. Landes, *Bankers and Pashas*, London 1963, pp. 339-340.

neck"; eventually the sales yielded over £13 million, which left a profit of over £6 million, of which the government got half, and one half went to the Suares-Cassel group. With them were associated a French group, headed by M. Cronier, which had just taken over the sugar works and refineries.<sup>82</sup>

The *Daira* transaction was apparently carried through by a limited company, the Deferred Shares of which were held by the concessionaires. They were quoted in 1905 at £108 (nominal value £1), ex £78 paid to the holders in the previous October. The manager of the *Daira Sanieh* Estates on behalf of Cassel was Victor Harari Pasha, who had resigned from the Ministry of Finance after years of distinguished service. But these substantial profits, so Guernville tells us, were nothing compared with those of the buyers of the land who had put up a down-payment with bills for the balance. Parcels were re-sold repeatedly before being eventually registered in the name of the final owner in 1905.<sup>83</sup>

Less fortunate was the French group, which had acquired the Sugar Works and Refineries of Egypt. Because of extreme mismanagement these were brought to the verge of bankruptcy. M. Cronier committed suicide (1904?) and another manager died suddenly. To save the basically sound enterprise from complete collapse, Cassel, Suares and other capitalists offered financial assistance on condition that the shareholders agreed to a standstill and did not force liquidation.<sup>84</sup>

The crowning event of that eventful year 1898 was the formation of the National Bank of Egypt Ltd. with an initial capital of £1,000,000. Of this Cassel subscribed 50,000 shares of £10 each, Messrs. C. M. Salvage, Alexandria, and Messrs. R. Suares Brothers & Co. 25,000 shares each. While the last two appear as corporate body, each subscribing for a quarter of the capital, Cassel appears in his own name only. But he, too, seems to have acted on behalf of a group. According to Crouchly, the Bank was formed "by a group of London financiers under Sir Ernest Cassel, in conjunction with some of the most important representatives of the local private banking houses".<sup>85</sup> The Bank, as Crouchly states, "was successful at once, as it had on the board the private bankers Cattai, Rolo, Suares and Beyerli, who were closely connected with local trade and industry".<sup>86</sup>

In 1899 the Bank opened a Department for Agricultural Loans, lending to the peasants at 9%, a low rate compared to what the fellah usually had to pay to the money-lender. Loans were usually seasonal, secured by a lien on the crop. In 1902 it was set up separately (apparently at Lord Cromer's suggestion) as the Agricultural Bank of Egypt and financed (under Cassel's leadership) with £2,000,000. It was a pioneering venture in a country like Egypt, though its operations were handicapped in that it could not help the smaller cultivators

<sup>82</sup>A. B. Guernville, *New Egypt*, London 1905, pp. 52-53.

<sup>83</sup>*Ibid.*, p. 53.

<sup>84</sup>*Ibid.*, p. 69.

<sup>85</sup>A. E. Crouchly, *The Investment of Foreign Capital in Egyptian Companies and Public Debt*, Cairo 1936, p. 32.

<sup>86</sup>*Ibid.*, p. 32.



Sir Ernest Cassel



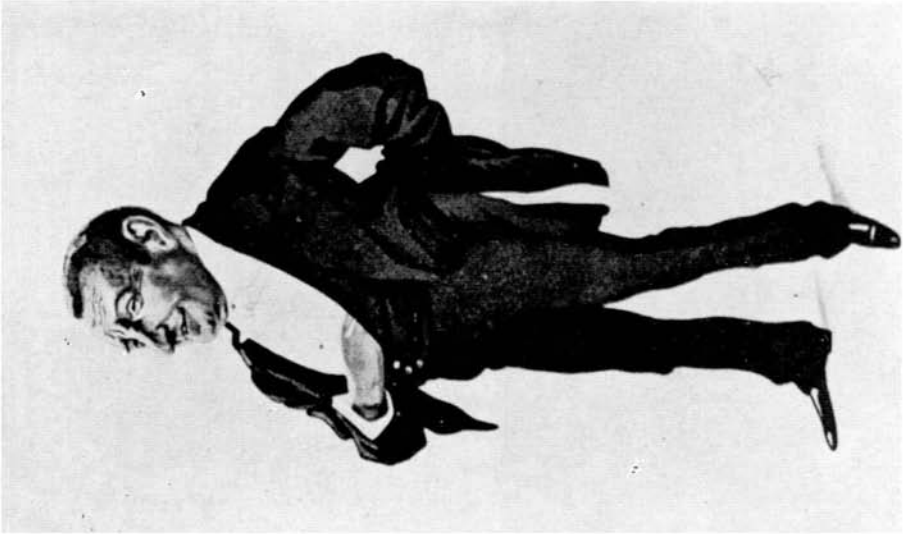
Cassel's daughter Maud



Cassel and grand-daughter Edwina



HENRY LOUIS BISCHOFFSHEIM  
from a contemporary cartoon



JACOB HENRY SCHIFF  
(1847 - 1920)



very much, owing to its inability to lend on the security of land inalienable under the Five Feddan Law. It was for this reason that in 1931 its place was taken by a kind of central bank for co-operative credit institutions.

The Bank, incidentally, must have benefited not only the cultivators, but its shareholders as well. The Founder Shares of a nominal value of £5 were worth £800 in 1905.<sup>87</sup>

From 1914 on Cassel was deeply involved in Egyptian affairs. He visited Egypt frequently, sometimes in the company of his friends, like the Schiffs, on holiday or on business. From the Diaries of Wilfred Scawen Blunt, the famous explorer and advocate of Egyptian nationalism in imperialist Britain, we know that some of these visits also had political purposes.

On June 25, 1903, he records in *My Diaries*: "The *Khedive* arrived in London yesterday, and is staying with the King's millionaire, Cassel, in Grosvenor Square."<sup>88</sup> And in the following pages we learn directly and from gossip (which is an important source for Blunt in general) that the *Khedive* had been prevented from visiting his friend (Blunt), as Cassel had advised him not to do so because it might offend the King (with whom Blunt apparently was persona non grata).<sup>89</sup>

In March, 1904 we learn from Blunt that Cromer was angry because "Cassel had lent His Highness half a million at 2½ percent to speculate with while Gorst as Financial Adviser granted Cassel concessions. The *Khedive* has been lectured and told to choose between being a *Khedive* or a tradesman. Gorst has had to leave Egypt..." (Cromer's regret in his annual report on Gorst's return to Britain was, for Blunt, just hypocrisy.) In the same entry we are told about various requests for concessions in Egypt . . . "Cassel, too, has been in treaty for a concession of all government land in Upper Egypt for some other prodigious sum . . ."<sup>90</sup> A month later, on April 5, 1904, Carton de Wiart said to Blunt that Cassel was a very bad influence on the *Khedive* in that he encouraged him in all his irregularities. Cromer disapproved of Gorst's intimacy with Cassel.<sup>91</sup>

Here our source of information on Cassel in Egypt peters out. Five years later, on August 8, 1909, the Diaries quote the gossipy doctor, Lyne Stevens, relating how the King received Cromer on his return from Egypt . . . to receive the Order of Merit. The King is reported to have said "I am happy to bestow this final honour on you, and all the more so because I hear so good an account of your work in Egypt from my friend Sir Ernest Cassel". This had incurred Cromer's venomous resentment.<sup>92</sup> Many entries in Blunt's Diaries are indicative of the misgivings which the "establishment", the landed aristocracy, had about the rising financial aristocracy, now favoured by the King.

<sup>87</sup>Guernville, *op. cit.*, p. 197.

<sup>88</sup>W. S. Blunt, *My Diaries*, London 1919, vol II, p. 63.

<sup>89</sup>*Ibid.*, p. 81.

<sup>90</sup>*Ibid.*, pp. 90, 91.

<sup>91</sup>*Ibid.*, pp. 97-98.

<sup>92</sup>*Ibid.*, p. 296.

On the philanthropic side of Cassel's activities the travelling eye clinics he endowed must be praised as a truly pioneering venture. Somewhere around 1902 he deposited with Lord Cromer £40,000, the interest on which fund was to be used for the equipping and operation of travelling eye-hospitals for the treatment of the prevalent eye-diseases, such as trachoma.<sup>93</sup>

## X. TWO BANKS

### A. *The Anglo-Austrian Bank*

A centenary article commemorating the formation of the Anglo-Austrian Bank in 1863 recalled that this Bank, in its varied history, had on occasion served as a field of operations for the two richest lone wolves in European banking, Baron Hirsch and Sir Ernest Cassel.<sup>94</sup>

We do not know what these operations were, nor when precisely Cassel had acquired an interest in this Bank. It had been established in 1863 by the London house of merchant bankers, Glyn, Mills & Co., which acted on Cassel's behalf in other transactions. The Anglo-Austrian had been active in the financing of Baron Hirsch's East Hungarian Railway and in the sale of his *Türkenlose* for the financing of his Oriental Railways. It had been active in the formation of banks in Central Europe and in the financing of industries. In the great crash of 1873 it was severely affected, but was one of the few survivors. Nevertheless, its operations during the next twenty years or so were limited to commercial banking. Only towards the end of the century had it again become a little more active. It seems that about that time Cassel and his friend, Karl Morawitz, one of Baron Hirsch's main assistants in the Oriental Railway venture, acquired larger parcels of shares. Morawitz's career in many respects resembled that of Cassel. He was born in Iglau (Bohemia) on 9th March 1846, and after finishing his education at a commercial high school, he entered the services of the banking firm Lippmann & Sons in Prague and of Philipp Elimeyer at Dresden. Having obtained an introduction to Henry Bamberger, head of the *Banque de Paris et des Pays Bas* he was engaged in 1868 as correspondent, though barely acquainted with French. In 1870, just twenty-four years old, he went to the Ottoman Bank as chief of control and right-hand man of the Bank's head, Charles Mallet. Compelled by the war of 1870 to leave Paris, he went to Vienna, where he had been in contact with Baron Gustav Springer and, introduced by Springer, he joined Baron Hirsch as financial manager of the Oriental Railways and later on as a member of their board. He maintained his residence at Brussels, though he spent more time in Paris and London. In 1885 he moved to Vienna and was in 1893 co-opted on to the board of the Anglo-Austrian Bank. In 1906 he was elected its president. The capital was increased from 48 to 60 million crowns, of which Cassel took one part and the Paris

<sup>93</sup>Guernville, *op. cit.*, p. 197.

<sup>94</sup>*Börsen-Zeitung*, 'Geschichte einer untergegangenen Bank', 5.9.1863.



Rothschilds another. Baron Gustav Springer, Alfred Rothschild's brother-in-law, became their representative on the board, which was joined also by the Bohemian coal magnate, Ignaz Petschek. In London an Advisory Council functioned, of which two partners of leading London merchant bankers were officials, and Cassel and some of his friends, like Joseph Chamberlain, were unofficial members.<sup>95</sup>

The secretary to the new president was the young Viennese economist, Felix Somary (originally Smaragd) who was to become a well-known figure in international economic relations in due course. His memoirs, apart from some information on the Bank's history of expanding business, contain a few interesting episodes about meetings with Cassel in London and at his summer place at Riederfurka in the Swiss mountains. In the very early weeks of the new administration, the Bank, against its better judgment, yielded to the pressure of the Austrian government to participate in a loan to Russia, to be subscribed in Paris, Berlin and Vienna. The Viennese board had to agree without being able to consult with their London associates and Somary was sent to London to smooth their ruffled feelings.

Under Morawitz's direction, and with the backing of directors like Cassel, the Bank gained in profits and in standing. But the dissolution of the Habsburg empire in 1918 also sealed the Bank's fate. It eventually went into voluntary liquidation.

*B. S. Japhet & Co.*

In 1910 Cassel joined the private banking firm of S. Japhet & Co., London, as a sleeping partner with a capital of £200,000. Saemy Japhet, who came from Frankfurt, had originally opened his London bank as a branch. But in the course of time London had become the principal place of business. The continental branches were eventually sold. Japhet had the *Darmstädter Bank* as *commanditaire*, the agreement with which was due to expire at the end of 1909. Anxious to give his bank an English character, Japhet was looking for a replacement, and decided to approach Cassel directly. As he tells in his *Recollections*:

"Cassel was the best listener I have ever met, but on the other hand I was more than careful not to say one word which was not absolutely necessary. So I remained silent after my first short statement, and he answered: 'I have always heard nothing but good about you and your firm and I am prepared to accept your offer . . .'"<sup>96</sup>

How accommodating Cassel could be in business dealings is shown in this case. He did not hesitate for one minute to annul a clause in the contract (which had remained from the old contract with the *Darmstädter Bank*) that displeased his partner-to-be. It was one forbidding Japhet & Co. permanent participation in any other firm.

<sup>95</sup>F. Somary, *Erinnerungen aus meinem Leben*, Zürich 1959, pp. 45, 47.

<sup>96</sup>S. Japhet, *op. cit.*, pp. 104-105.

When in 1921 S. Japhet & Co. became a limited company, Cassel took up a considerable parcel of shares and nominated (Sir) Sidney Peel<sup>97</sup> to the board, on which he served till his death in 1938. Thereafter Cassel's estate was represented on the board by his nephew, Sir Felix Cassel.<sup>98</sup>

## XI. CASSEL AND "THE ESTABLISHMENT"

### A. An Expensive G.C.B.

Cassel, as Lord Vansittart described him "... was a man of dour appearance, much generosity and considerable ambitions, which included power and a childish desire for the Grand Cross of the Bath..."<sup>99</sup> Indeed, as Magnus put it, Cassel's "austere personal habits... were not reflected in his attitude to decorations. He considered that he was entitled to purchase what he required."<sup>100</sup> These remarks refer to an incident which took place in 1908 when the Foreign Office was forced by the necessity of supporting British interests in Morocco to obtain a substantial sum for strengthening the Bank of Morocco (of which Cassel had been a co-founder in 1906). It was for this reason that Sir Edward Grey approached Cassel for a loan of £500,000 to that institution. Cassel agreed readily, but in return asked for the Grand Cross of the Order of the Bath. Grey was somewhat taken aback by this request, and stated that it was not in his power to grant it, but that he would report it to the Prime Minister.<sup>101</sup> And in 1909 Cassel finally achieved his ambition, and obtained the G.C.B. "Although displeased the King made no difficulty; and Grey", as Magnus says, "who cared personally as little for honours as he did for the great financier, was much amused."<sup>102</sup> But the incident was not forgotten by the "Establishment". As Lord Hardinge tells in his memoirs, he "got even with Cassel though he did not know it".<sup>103</sup> Hardinge refers here to the fact that he had advised Sir H. Babbington-Smith<sup>104</sup> to refuse the appointment as head of the National Bank of Turkey — in which Cassel had a share — at anything less than £10,000 a year, i.e. three times as much as Cassel had offered. Cassel finally gave in to this claim and Hardinge comments as follows: "This little transaction gave me great pleasure as a set-off to Cassel's G.C.B."<sup>105</sup>

Nor did Asquith and Grey seem to have forgotten the incident. In 1913 a list was prepared of about three hundred names of possible candidates for the peerage

<sup>97</sup>Lord Esher speaks of Sidney Peel, Cassel's right-hand man, as a man with an unusual flair for finance and especially for *haute finance*. It appears that Morley wanted to take Peel away from Cassel. Esher, *op. cit.*, vol. II, p. 175.

<sup>98</sup>Emden, *Jews of Britain*, pp. 337-338.

<sup>99</sup>Vansittart, *op. cit.*, London 1938, p. 61.

<sup>100</sup>Philip Magnus, *King Edward the Seventh*, London 1964, p. 259.

<sup>101</sup>Lord Hardinge of Penshurst, *Old Diplomacy*, London 1947, p. 164.

<sup>102</sup>Magnus, *op. cit.*, p. 259.

<sup>103</sup>Hardinge, *op. cit.*, p. 165.

<sup>104</sup>Sir Henry Babbington-Smith had been British representative at a series of congresses on financial matters, including the Ottoman Public Debt, and had also been Secretary to the Post Office, 1903-1909, when he became President of the National Bank of Turkey.

<sup>105</sup>Hardinge, *op. cit.*, p. 165.

to be submitted to the King in case the "packing" of the House of Lords should become necessary. We find among them names like those of Sir Edgar Speyer, the Rt. Hon. Arthur Cohen, Sir A. D. Kleinwort, Henry Oppenheim, R. C. Lehmann, N. Seligman, etc. as prospective peers, but Sir Ernest Cassel's name is strikingly absent.<sup>106</sup>

*B. Frustrated in Egypt and Frustrated in Turkey*

It was about the time of the affair of the Moroccan loan that Cassel happened to cause irritation to another section of the Establishment in an incident which Ronald Storrs recalls. Speaking of Sir Eldon Gorst, Cromer's successor as British Agent in Cairo (1907/08) he says "...By refusing an unneeded and unwanted loan of two million 'to steady the market' he incurred the resentment of high finance at home, thenceforth hostile in the local and the European Press..." And in a footnote he adds an (undated) extract from one of his letters home: "At the Gorst's on Tuesday I met Cassel and Murray Guthrie who are, I am informed, trying to force our government to borrow money from them. We don't want any — but they say we can have it so cheap..."<sup>107</sup>

Vansittart, referring to Storrs' memoirs, confirms the story. He describes Cassel at this occasion as follows:

"He had grown sadder at the end of his heyday . . . time should never have been allowed to wear away from the memory of Cassel - a benefactor only sometimes self-interested - the noble fact that few men have done more for their fellows than he with his travelling eye-hospitals in a land where ophthalmic diseases claimed never less, and often more than fifty percent of the inhabitants. The fly-borne curse has been upon them since Exodus."<sup>108</sup>

And elsewhere in his book he recalls: "...we might have had the Baghdad Railway Concession, if we had listened to him."<sup>109</sup> Philip P. Graves who as a press-correspondent had shared a flat with Ronald Storrs in Cairo in those days, comments on a loan which Cassel was ready to grant in 1910 to the Young-Turkish government but which was prevented by the intervention of Downing Street, acting under French pressure. Graves says: "He [Cassel] retired angrily, but those who remembered the Press campaign, which he organized against Sir Eldon Gorst, because the British Agent in Egypt did not approve of an unnecessary loan, were not sympathetic."<sup>110</sup>

The comment is misleading. If Cassel "retired angrily", it happened most likely not because of a loss of profit, but because of the shortsightedness of British policy: the loan was granted by the Germans, who thereby re-established their strong position in Constantinople and their influence which four years later was to bring Turkey into the War on their side. It was the political rather than the financial implications of this and some other failures which made the far-sighted Cassel a disappointed man and "at heart the saddest of millionaires..."<sup>111</sup>

<sup>106</sup>Roy Jenkins, *Asquith*, London 1964, Appendix A, pp. 539-542.

<sup>107</sup>Ronald Storrs, *Orientalism*, London 1939, p. 75.

<sup>108</sup>Vansittart, *op. cit.*, p. 90.

<sup>109</sup>*Ibid.*, p. 61.

<sup>110</sup>Philip Graves, *Briton and Turk*, London 1941, pp. 148-149.

<sup>111</sup>Vansittart, *op. cit.*, p. 61.

## XII. . . . AND IN TURKEY

## A. The Baghdad Railway

Cassel's preoccupation with schemes in Turkey seem to have anticipated those in Egypt by a decade, though it led to no results until much later. It had been here, actually, that in the early seventies he had had his first great success. He returned to the scene of his early triumph to suffer, as he saw it, his defeat almost four decades later.

On October 4th, 1888 Alfred Kaulla, Director of the *Württembergische Vereinsbank*, acting for the *Deutsche Bank* and the Anatolian Railway Company received a ninety-nine years concession for building a railway from Constantinople to Angora (Ankara). The members of the international *Dette Publique Ottomane* had favoured such a scheme. Its chairman, the British representative on this body, Sir Vincent Caillard, had tried in vain to form a British syndicate to sponsor the project. But the Germans (i.e. the *Deutsche Bank*) eventually made a start, and they had the political backing of Britain, Austria and Italy, all anxious to contain the ever-growing French influence and grip on Turkey.<sup>112</sup>

The line to Angora was completed in less than five years, i.e. by 1893, and at the Sultan's request it was, in spite of serious technical and financial difficulties, extended to Konia, which was reached in 1896.<sup>113</sup>

The Baghdad Railway project became one of the central issues of international politics for almost two decades. When the *Deutsche Bank* had entered the Turkish railway business, Bismarck had raised no objection, but had made it clear that the government accepted no responsibility for the protection of the company. He seems to have foreseen the struggle for influence which would arise over the Turkish railways.<sup>114</sup> But Bismarck had been dismissed and Wilhelm II voiced Germany's "Drang nach dem Osten". The situation is judged best by M. S. Anderson who says that: "... international competition for railway and other concessions for trade with the [Ottoman] empire and investment opportunities there, came to have an influence on the emotions of the nations involved, quite disproportionate to the real value of what was at stake."<sup>115</sup>

In 1899 the Anatolian Railway Co. had received a preliminary concession for the Konia-Baghdad line with an eventual extension to the Persian Gulf. This concession had first aroused little opposition, particularly as von Siemens, the Director of the *Deutsche Bank*, had come to terms with the French rivals, and he was now anxious for British participation. But in Britain public opinion had become increasingly sensitive to Germany's expansion in Turkey.<sup>116</sup>

Already in 1892 London's financial press had shown concern about Germany's ambitions in Asia Minor. Helfferich suspects that it was for this reason that Cassel

<sup>112</sup>H. Feis, *Europe, the World's Banker, 1870-1914*, vol. III, p. 341.

<sup>113</sup>*Ibid.*, pp. 343-344.

<sup>114</sup>*Ibid.*, p. 343.

<sup>115</sup>M. S. Anderson, *The Eastern Question*, London 1966, p. 264.

<sup>116</sup>*Ibid.*

carefully withdrew from the Anatolian railway business.<sup>117</sup> A new awareness arose of what was politically at stake: in 1899 Lord Curzon, Britain's viceroy in India, had concluded an agreement with the Sheik of Kuwait, putting that principality under British protection, and the idea of a German railway terminal next door to it outraged Britain's public opinion and made it imperative for her government to exclude all European rivals from the Persian Gulf.

Russia, too, had raised objections in 1899 to the German project, but a kind of settlement was reached by reserving northern Anatolia and Armenia for railways to be built by Russia.

In March, 1903 a definite concession was granted to the Baghdad Railway Co. (formed by the *Deutsche Bank* group and Ottoman Bank) for building the railway to Baghdad and Basra. The Bank's new head, Arthur v. Gwinner, had renewed his predecessor's attempts to find British partners, be it for political reasons or because German capitalists had shown doubts as to the profitability of the line. As the construction of the line was to be financed by the sale of Turkish government bonds, on the line of Baron Hirsch's *Türkenlose*, it was necessary to obtain the right for their official quotation in London and Paris. The British government had encouraged the London bankers to enter into negotiations with the Germans and promised its backing for the project, subject to the Germans agreeing to absolute equality for the British partners in the Baghdad Railway Co. It seems that these conditions had been accepted.<sup>118</sup> Thus Cassel again became active in the project. He and Sir Clinton Dawkins had already been approached in vain by v. Gwinner in London in 1901.<sup>119</sup> Lord Esher, according to his letter of 6th April, 1903, expected to accompany Cassel (whose aide he then was) and Lord Revelstoke (Baring Bros.)<sup>120</sup> to Berlin in connection with the Baghdad Railway. "Do you see" — he writes — "some of the newspapers have been attacking it because it is a German project and wish us to block it — or keep out of it — as we did when the Suez Canal was made."<sup>121</sup> And a day later he writes in his Notes:

"It looks as if the Baghdad Railway scheme would fall through. Landsdowne sent for Cassel this evening, as there is a question in the House of Commons about it. My instinct tells me that the government will flinch. I don't care, although I think a lot of money will be made in it [a mistaken view]. The Germans will go on just the same and the railway will ultimately be made, only we shall be out of it. We never learn from experience."<sup>122</sup>

<sup>117</sup>Karl Helfferich, *Georg von Siemens*, Berlin 1923, p. 65.

<sup>118</sup>Feis, *op. cit.*, pp. 350 ff. See also A. v. Gwinner, 'The Baghdad Railway and the question of British Co-operation', *The Nineteenth Century and After*, June 1909, No. 388.

<sup>119</sup>Helfferich, *op. cit.*, p. 128.

<sup>120</sup>Baring Brothers were brought into these negotiations by Landsdowne himself to back the British group and to ensure their success. Hitherto the negotiations had been carried on by Sir Clifton Dawkins of Morgan, Grenfell & Co., who was nervous that his firm was at the moment unpopular, having sponsored the transatlantic shipping combine, and by Cassel, who felt that as a naturalized citizen of German origin his position was delicate. (Cf. Feis, *op. cit.*, p. 350.)

<sup>121</sup>Esher, *op. cit.*, vol. I, p. 396.

<sup>122</sup>*Ibid.*, p. 397.

Though the government, particularly Balfour and Landsdowne, would have favoured a British participation which would have prevented the railway-project from becoming German-dominated and would have strengthened Turkey against Russia, it had to give in to the adverse pressure of press and Parliament. The German approach was turned down. The Foreign Secretary, in a later note, accused the bankers of yielding to public opinion. Had it not been for their scuttling, he would have been in favour of "sticking to our position".<sup>123</sup>

With the limited financial resources in hand the company built the first 200 kilometres from Konia to Bulgurli within nineteen months. Not till 1908 were the terms settled for the next two sections of 850 kilometres which was to bring the line to within 700 kilometres from the Gulf. But the Turkish revolution in 1908 and the reluctance of the Young-Turkish regime in granting financial privileges delayed progress. (Work on the tunnels through the Taurus mountains began only in 1913). The initially pro-Western government asked the *Deutsche Bank* again to seek British participation.<sup>124</sup> Von Gwinner visited Cassel in London in 1909 and consulted him, not only as a financier but also as a confidant of cabinet and King. Cassel suggested that the Baghdad-Basra line should be built by a company under British control. (When signing the final agreement with the Turkish government in March, 1911, the German group stated that for the Baghdad-Basra stretch a special arrangement would be made to satisfy British interests.)<sup>125</sup> This was the beginning of an all-round settlement, in which Turkey recognized Britain's special position on the Persian Gulf. In June 1914 a number of agreements were signed which seemed to promise collaboration without friction among the powers in the development of Turkey's resources. All this, however, was frustrated when, unexpectedly, at the end of July 1914 war broke out.<sup>126</sup>

#### B. The National Bank of Turkey

In 1909 the National Bank of Turkey was created<sup>127</sup> under Cassel's auspices, with the unofficial encouragement of the British Government.

The Young-Turkish government, which had come into power the year before, was looking for stronger economic ties with Britain. The British attitude is indicated by the following passage written by the Foreign Secretary Sir Edward Grey, in a memorandum:

"I was distressed to find when I came into office [i.e. 1905], how completely we had been ousted from commercial enterprise in Turkey . . . [and] disappointed to find what a very poor set of financiers have got commercial enterprise in Turkey into their hands. It was, I suppose, inevitable under the old regime, for its methods were such that it did not attract the best class of financier. If Turkey puts its house in order, I hope that good financiers will come forward, and by degrees strengthen the British influence in such things as the Ottoman Bank, and to co-operate with the French at least on equal terms."<sup>128</sup>

<sup>123</sup>Feis, *op. cit.*, p. 351.

<sup>124</sup>The question of the Baghdad Railway was never off the agenda between the two governments during those years. On his visit to Windsor Castle in November, 1907, Wilhelm II told Sir Edward Grey (after an outburst against the Jews): "The concession is mine. You must come in on my terms or stay out. We have plenty of money." But in an audience



The new regime in Turkey desired to free itself from the yoke of the Ottoman Bank and the *Deutsche Bank*; therefore they aimed at the formation of a new group with which they could do business with regard both to concessions for enterprises and to loans for government and municipalities. They asked Nubar Pasha and Gulbenkian to align a group of bankers from England, Belgium, Holland and France; Germany and Austria were to be excluded.<sup>129</sup>

One of the principal participants, Calouste Gulbenkian, is quoted by his biographer, as follows:

"As far as Great Britain was concerned, the execution of this task depended on one man, Cassel, who at that time was indubitably the greatest expert on the finance and economic affairs of the Near East. It was natural that the guiding spirit of the ambitious transformation of the Nile Valley should also be entrusted with this financial and economic regeneration of the pitifully backward Ottoman Empire. With his plans centred around the bank which he was to establish, he immediately began to join finance groups which, in co-operation with the Young-Turkish government, would undertake the development of natural resources, particularly in Mesopotamia."<sup>130</sup>

According to Gulbenkian's record<sup>131</sup> the Young-Turks thought that there should be in Constantinople a centre of purely British financial influence.

After consultation of leading City figures, such as Lord Revelstoke (Baring Bros.), Lord Farrington and Sir Ernest Cassel, it was decided that Cassel should proceed to Constantinople, on behalf of the "British Financial Consortium", to establish a bank on the pattern of the National Bank of Egypt. The British government seconded a distinguished civil servant, Sir Henry Babbington-Smith, to become chairman (governor) of the institution. Gulbenkian, who served as financial and economic adviser to the Turkish government in Paris and London, and who had been asked by Cassel to accompany him on his mission to Constantinople as a technical adviser, was nominated to the Executive Committee of the Bank as a director in London.

The National Bank was on the way to undermine the monopoly position which the Ottoman Bank had enjoyed under Abdul Hamid. It succeeded, according to the reports of the German ambassadors in Constantinople and Paris, owing to the collaboration of Sir Adam Block<sup>132</sup> in Constantinople and Cassel's representative in Paris (Gulbenkian).

given to Cassel, lasting three-quarters of an hour, he delivered practically a monologue on the need for a strong German navy, but said little on the Baghdad Railway. (Cf. Esher, *op. cit.*, vol. II, pp. 255, 266.)

<sup>125</sup>Helfferich, *op. cit.*, p. 144.

<sup>126</sup>For the full details of the history of the Baghdad Railway, see H. Feis *op. cit.*, pp. 342-360.

<sup>127</sup>*D.N.B.*, vol. 1912-21, p. 95.

<sup>128</sup>Cf. A. S. I. Baster, *The International Banks*, London 1935, p. 107.

<sup>129</sup>F. C. Gerretson, *History of the Royal Dutch*, Leyden 1957, vol. III, p. 274.

<sup>130</sup>R. Hewins, *Mr. Five Percent, The Biography of Calouste Gulbenkian*, London 1957, pp. 72 ff.

<sup>131</sup>*Ibid.*, pp. 72 ff.

<sup>132</sup>Sir Adam Block, who, apart from his official position on the Debt Commission, also served as president of the British Chamber of Commerce in Constantinople, was called the unofficial ambassador of Britain's commercial interests in Turkey.

The French saw in Cassel "the scourge of the Entente".<sup>133</sup> His efforts to come to terms with the Germans on the Baghdad Railway question and Sir Adam Block's activities seemed to compete for France's established position. The opportunity for a French counter-attack came soon and was aided by British diplomats who disliked or distrusted Cassel.<sup>134</sup>

When Djavid Bey, Turkey's Foreign Minister, came to Paris to negotiate for an urgently needed loan, the Ottoman Bank, with the French government's concurrence, offered the loan under severe conditions. Turkey refused, also on the advice of Sir Adam Block.<sup>135</sup> Now Cassel promised Djavid Bey a loan of T£ six million, should his negotiations in Paris fail. The French ambassador, Jules Cambon, called on Sir Edward Grey and complained that Cassel's offer was in conflict with the spirit of the *Entente cordiale*. The Foreign Office through Sir Charles Hardinge (later Lord Hardinge of Penshurst) and Mr. (Sir) Louis Mallet made energetic representations to Cassel. He had to drop the project at the end of the year.<sup>136</sup> The Turks were told by Downing Street that this decision had been taken because the Baghdad Railway was considered "an enterprise which under the present conditions has not been conceived in the best interests of the Ottoman Empire, while it offers, as controlled at present, an undoubted menace to the legitimate position of British trade in Mesopotamia".<sup>137</sup> The Turks replied that it was a prerogative only of the Ottoman government to determine whether concessions were in Turkey's interest or not. And then, as the Russian ambassador to Turkey recalls, "the unexpected and unbelievable happened";<sup>138</sup> the resulting deadlock was skilfully used by the *Deutsche Bank* group. It issued the loan without strings attached and thereby regained at one stroke its predominant position held prior to the Young-Turkish revolution. Cassel's obvious chagrin gave some satisfaction to members of the British "Establishment". If he felt frustrated, it was not because of profits lost; it was rather because of the vacillating policy of the Foreign Office which had prompted the formation of the National Bank as an instrument of competition with France, but later thwarted this policy. Moreover, while some people had thought the German initiative "unexpected and unbelievable", Cassel seems to have expected it. In order to prevent an independent German initiative in this field, Cassel, as the British ambassador to Berlin reported, had been in touch with German high finance and intended to issue the loan in co-operation with the *Deutsche Bank* (as junior partner). The failure of this loan, and in a wider sense of the Bank, and his policy, may have been one of the reasons why Cassel retired in 1910 from active business. After Cassel's death, the National Bank of Turkey was sold to the British Trade Corporation and was finally wound up in the late twenties.<sup>139</sup>

<sup>133</sup>Hallgarten, *Imperialismus vor 1914*, 2nd ed., vol. II, p. 423.

<sup>134</sup>*Ibid.*, vol. II, p. 172.

<sup>135</sup>Feis, *op. cit.*, p. 375.

<sup>136</sup>E. M. Earle, *Turkey, the Great Powers and the Baghdad Railway*, New York 1935, p. 225.

<sup>137</sup>Baster, *op. cit.*, p. 111.

<sup>138</sup>N. V. Tibaryskow, *Glimpses from High Politics*, New York 1931, p. 275.

<sup>139</sup>E. G. Mears, *Modern Turkey*, New York 1924, p. 375.



C. *The Turkish Petroleum Company*

The refusal of the loan to Turkey had certainly not strengthened the British claim for oil concessions, originally held by the Anatolian Railway Co. in 1901, but since lapsed or of doubtful validity. The Germans held a strong hand, claiming that the building of the railway was economically justified only by a concomitant exploration and exploitation of the natural resources which would supply the freight. The previous attempts of Gulbenkian and the Royal Dutch Shell group to obtain petroleum concessions in Mesopotamia had failed. Cassel "proffered that he was a great friend of the German Emperor and had great influence in German high finance",<sup>140</sup> and suggested an attempt at coming to terms with the Germans. Although he was reluctant that the National Bank should engage in oil speculation, he would, if Gulbenkian took an important share together with himself, arrange for contact to be established between Sir Henry Babbington-Smith with the head of the *Deutsche Bank*, v. Gwinner, and the German Chancellor.

The *Deutsche Bank*, anxious to get British financial backing, not only for petroleum exploitation but for its railway venture as well, eventually responded. In October, 1912 an agreement was reached for forming a British limited company, using the mantle of the African and Eastern concessions, a mining concern belonging to Cassel. Its name was later changed to the Turkish Petroleum Co.<sup>141</sup> For bringing in the mining rights of the Anatolian and Baghdad Railways (20 kilometres both sides of the track) and a *Lettre Viziriette* of 1883 promising German preferential mining rights, the *Deutsche Bank* received 20,000 out of the 80,000 shares free of charge. Of the remaining 60,000 shares Cassel and the National Bank held 28,000 and Gulbenkian 32,000, all paid in cash. Gulbenkian subsequently ceded 20,000 shares out of his holding to the Royal Dutch Shell group. These were vested in the Anglo-Saxon Petroleum Co., a British registered subsidiary for holding concessions in territories under the British crown.

The opportunity of reconciling British and German interests in the Turkish Petroleum Co. was not backed by the British government, which, "flushed with the sudden success of the all-British Anglo-Persian Oil Company, lost enthusiasm for the National Bank and its transformation into a rival oil company".<sup>142</sup> Sir Henry Babbington-Smith, as head of the National Bank, and Sir Ernest Cassel were told by the Foreign Office — about 1913 — that it was the desire of the British government that their interest should be transferred to the Anglo-Persian. Thereupon Cassel, together with his associates in the National Bank of Turkey, placed their holding of 28,000 shares at the disposal of the British government.

Cassel's efforts in Turkey, which he thought to be in the British economic and political interest, had been twice frustrated by the British authorities. Was this

<sup>140</sup>Hewins, *op. cit.*, p. 73.

<sup>141</sup>According to Seidenzahl the Turkish Petroleum Co. had been formed out of the Red Sea Oilfields Co. (F. Seidenzahl, *The Agreement concerning the Turkish Petroleum Co., Deutsche Bank, Studies No. 5*, Autumn 1965, p. 15.)

<sup>142</sup>Hewins, *op. cit.*, pp. 76-77.

due only to objective economic and/or political considerations? Von Gwinner of the *Deutsche Bank* had written to the German Foreign Office in December, 1913:

"Some trouble is . . . being caused not only by the Foreign Office's jealousy of Cassel, but also by their dislike of Sir Marcus Samuel, a former Lord Mayor of London, who is a conservative and belongs to the Deterding group. The Admiralty, for good reasons, abominates Sir Marcus."<sup>143</sup>

### XIII. CASSEL AND THE CHURCHILLS

Winston Churchill referred to Cassel as "his father's old friend".<sup>144</sup> And in the recently published volume of *Letters of W. S. Churchill*, we find one by his father, Lord Randolph, to Frances, Duchess of Marlborough, of September, 1892, complaining about Winston's bad marks in the military examinations, saying "If he fails again, I shall think about putting him into business. I could get him something very good through Natty (Rothschild), or Horace (Farquharson) or Casel . . ."<sup>145</sup>

It was Winston's brother Jack who was actually employed by Cassel. When in 1898 Jack was to accompany Cassel on a business trip to Egypt,<sup>146</sup> Winston wrote to his brother "Mind you try and make Cassel take you to Egypt. You can't push too much in all things".<sup>147</sup> And when Jack wanted to join up in the Boer War, 1899, Winston insisted that he should do so only with Cassel's approval.<sup>148</sup>

Winston Churchill himself said of Cassel: "He was a very great friend of mine." That was in the witness box in his law suit against Lord Alfred Douglas. Lord Douglas who, as Oscar Wilde's companion, had achieved some notoriety, had once been a promising young poet, but in the post-war years he had published an antisemitic yellow journal *Plain English*. In 1922 he had written a pamphlet *The Murder of Lord Kitchener and the Truth about the Battle of Jutland* in which he accused Churchill of having conspired with Cassel to publish a misleading *communiqué* about the Battle of Jutland in order to profit by the anticipated consequent fall in the value of British shares. Cassel allegedly had made £18,000,000 or even £48,000,000 on this deal, while Churchill got £40,000.

Churchill, suing Douglas for defamation (December 1923) proved that he did not write any such *communiqué* on that matter and the administrators of Cassel's estate gave evidence that Cassel did not buy or sell British stocks at that time. Lord Douglas was sentenced to six months' prison for slander.<sup>149</sup>

In the course of his evidence, Churchill stated that he had known Cassel since he was nineteen, and that "shortly after Lord Randolph's death in 1895 he got to know him very well". In 1905 when Churchill had taken a flat of his own,

<sup>143</sup>Seidenzahl, *The Agreement*, p. 22.

<sup>144</sup>W. S. Churchill, *My Early Life*, London 1937, p. 376.

<sup>145</sup>W. S. Churchill, *Letters*, ed. by Randolph Churchill, London 1966, vol. I, p. 181.

<sup>146</sup>*Ibid.*, p. 383.

<sup>147</sup>*Ibid.*, p. 436.

<sup>148</sup>*Ibid.*, p. 508.

<sup>149</sup>Cf. Oscar K. Rabinowicz, *Winston Churchill on Jewish Problems*, London 1956, pp. 33-34, 175-184.

Cassel, with Lady Randolph's permission, had furnished a library for him. In 1908, on his wedding day, he had received from Cassel a present of £500. And after Cassel's death he was given his watch and chain which, the family thought, was what the deceased would have wished. (On two occasions Churchill had asked Cassel to invest for him the royalties from his books and fees earned from his lectures.)

#### XIV. ANOTHER FAILURE: PEACE-MAKING<sup>150</sup>

Parallel with Cassel's endeavours, during the years 1908-1914, to come to an understanding with the Germans on the activities in Turkey were his efforts to bring about a relaxation in the tension growing between the two countries. In pursuing this end he kept in touch with Albert Ballin, the head of the HAPAG shipping company in Germany. Cassel's attempts to come to an understanding with the Germans in the economic as well as in the political sphere were not prompted, as many may have suspected, by any deep sympathies for his country of origin. Fearing that the growing economic power of Germany and her competition on the world markets could not be suppressed save by the force of arms, he wanted to find out whether a *modus vivendi* could be reached by which Britain's vital interests would be safeguarded.<sup>151</sup>

The deterioration in Anglo-German relations eventually caused concern also to some Germans who had originally favoured the German naval programme. Among them was Albert Ballin, whose remarkable achievements in the development of Germany's merchant navy had earned him the Emperor's respect and friendship.

Early in 1908, as Huldermann<sup>152</sup> and Rosenbaum<sup>153</sup> tell the story, Ballin was approached by British business friends, suggesting that it might be useful if he would discuss the problem of the Anglo-German tension with Cassel, who enjoyed the confidence of the British government and the King's friendship. Ballin was obviously chosen on account of his relationship with the Emperor. According to Stubmann<sup>154</sup> and Cecil<sup>155</sup> it was Max Warburg's introduction of Ballin to Cassel in the summer of 1908 which led to an exchange of views and an attempt to bring about talks to avoid competitive naval construction.

<sup>150</sup>This section is largely based, even when not specifically quoted, on the detailed and well-documented accounts given by Eduard Rosenbaum, 'Albert Ballin', *LBI Year Book III* (1958), pp. 257-299, and Lamar Cecil, *Albert Ballin, Business and Politics in Imperial Germany 1888-1918*, Princeton 1967.

<sup>151</sup>The Hamburg banker, Max M. Warburg, who remembers having been strongly influenced by Cassel during his apprentice years in London (1890-91), claims that Cassel, earlier than any other Britisher, foresaw that an Anglo-German armed conflict would mean the ruin of Europe. "Had his influence been stronger, with his entire striving for peace, for an honest understanding and sincere friendship, the tension in the Anglo-German relations would never have reached such a tragic magnitude." (M. M. Warburg, *Aus meinen Aufzeichnungen*, New York 1952, pp. 25-26.

<sup>152</sup>B. Huldermann, *Albert Ballin*, Berlin 1922, pp. 255 ff.

<sup>153</sup>Rosenbaum, *op. cit.*, p. 279.

<sup>154</sup>P. F. Stubmann, *Mein Feld ist die Welt - Albert Ballin*, Hamburg 1960, p. 200.

<sup>155</sup>Cecil, *op. cit.*, p. 161.

Ballin's campaign for Anglo-German naval talks got under way in the summer of 1908. In June, apparently at the behest and certainly with the knowledge of the *Kaiser*, Ballin met Cassel in London to discuss Anglo-German relations.<sup>156</sup> Cassel, stressing King Edward's concern over Germany's naval construction programme at this first meeting, thought that some day Britain, jointly with France and Russia, might ask Berlin at what point she intended to stop it. This, in Ballin's view, would be a *casus belli*. Other avenues would have to be found for relaxing the tension. An improvement in the difficult personal relations between Wilhelm II and his uncle Edward would be a first step.

In spring 1909 Cassel followed up Ballin's visit with warnings that German navalism was the very basis of Britain's mistrust of Germany. Ballin passed on these messages to the Imperial Chancellor von Bülow, and afterwards to the latter's successor Bethmann-Hollweg. And in June 1909, during the "Kiel Week", he suggested to the Emperor that he be authorized to initiate feelers with the British via Cassel, to bring about talks between Admiral Tirpitz, the instigator of Germany's navalism, and Sir John Fisher, the First Sea Lord. The *Kaiser* agreed, and Ballin discussed with Tirpitz the relevant questions of policy in a discreet approach. Then he wrote to Cassel that he would like to give him some "personal information" on the naval question. He was invited to London in June or July 1909. Here Cassel told him that Britain could no longer commit herself to a naval agreement with Germany, because of the recently announced naval programmes of France and the Habsburg monarchy, and that Britain would have to meet Germany's challenge by a naval construction programme sufficient for maintaining her naval superiority.

Ballin gave an account of these talks to the Emperor and Tirpitz, who were pleased, but the new Chancellor Bethmann-Hollweg and the German Foreign Office resented "the interference of an outsider" and insisted that any further negotiations be carried on through normal diplomatic channels. In August 1909 Ballin was told to stop his talks with Cassel. The Chancellor was backed by the British Ambassador to Berlin, Sir Edward Goshen and Count Wolff-Metternich, the German Ambassador in London, who did not like to be by-passed.

Cassel, however, used every opportunity to promote an understanding. There is evidence of a proposal he made to the German Colonial Secretary Dernburg for a ratio of 2 : 1 for the two fleets. But Count Metternich, as can be seen from his letter to the Chancellor, doubted very much whether Cassel had ever discussed the naval relations with Sir Edward Grey and decried the self-appointed negotiators.<sup>157</sup>

Nevertheless the Emperor, when attending the funeral of his uncle Edward in May 1910, had a long conversation with Cassel,<sup>158</sup> in which he ventured as his private opinion that Germany would approve of Britain's complete annexation

<sup>156</sup>*Ibid.*, p. 168.

<sup>157</sup>Rosenbaum, *op. cit.*, p. 283.

<sup>158</sup>As to Cassel's relations with the German Emperor, it is not quite clear when they had started and how. Bülow in his *Memoirs*, according to what he was told by von Marshall, the German diplomat, records that Wilhelm "was enthusiastically pro-Boer, because he ascribed the Jameson Raid (1895) to his uncle Edward, the Prince of Wales and the

of Egypt. But he asked this to be kept confidential, even from Sir Edward Grey, until he had talked to the Chancellor. The latter, obviously, did not agree.<sup>159</sup>

With Edward's death Cassel's position at court had changed and also at Downing Street his contacts seem to have become rather limited.

The failure of official diplomacy to make any progress on the way to an understanding made welcome a renewed initiative by Cassel and Berlin. It is difficult to judge today how it began.

According to Harold Nicolson's version (which Rosenbaum accepts) it was like this:

"In the late winter of 1911 Sir Ernest Cassel . . . felt that the increasing rivalry between his homeland and his fatherland was leading both countries to the verge of disaster. He placed himself in communication with his friend, Albert Ballin of the Hamburg-America Line. Cassel was to tell the British government that the Emperor had expressed a wish to receive a Cabinet Minister in Berlin. Ballin was to tell the Emperor that the British government desired to send a special representative to Germany to discuss accommodation. The arrangement worked admirably. The Emperor signified his willingness to receive such an emissary; the British government was delighted to accept such an invitation. They selected Mr. Haldane as their representative. He arrived in Berlin on February 8, 1912."<sup>160</sup>

L. Cecil, however, considers that the first move in this second act of the drama came early in 1912, in a letter by Ballin in which he suggested to Cassel, who was due in Berlin in March for a meeting of the King Edward VII British-German Foundation,<sup>161</sup> to bring with him his friend Churchill, the new First Lord of the Admiralty. Cassel answered on January 9, 1912, that he had spoken to Churchill, who, according to him, felt that he — because of the peculiar limitations of his office — could not accept the invitation, unless he were to accompany the King on a State visit to Berlin. Cassel added that Britain was prepared to go very far in order to come to an understanding with Germany.<sup>162</sup> He passed on the correspondence with Ballin to the proper authorities.

What now followed, Churchill called the "Cassel Mission". According to his version, the initiative had come from the British cabinet and not from Ballin-

latter's two capitalist friends, Beit and Cassel, both, to mention incidentally, German Israelites." (Cf. Prince v. Bülow, *Memoirs 1897-1903*, New York 1931, p. 469.) In November 1907, on his ten-day visit to Windsor Castle, Wilhelm II, in a talk with Sir Edward Grey, spoke vehemently against the Jews. "There are too many of them in my country. They want stamping out. If I did not restrain my people, there would be Jew-baiting." (Cf. Esher, *op. cit.*, p. 255.) But it was on the occasion of this visit that Wilhelm II received Cassel in an audience lasting forty-five minutes, in which he spoke largely on Germany's need for a larger fleet, and little, apparently, on the Baghdad Railway which was probably the anticipated subject of the audience. (*Ibid.*, p. 266.)

<sup>159</sup>Rosenbaum, *op. cit.*, pp. 283-284.

<sup>160</sup>H. Nicolson, *Sir Arthur Nicolson, First Lord Carnock, A Study in the Old Diplomacy*, London 1930, p. 362. See also Rosenbaum, *op. cit.*, p. 284.

<sup>161</sup>It was to honour his friend's memory and to promote his aim of improving Anglo-German relations that Cassel in 1911 established the King Edward VII British-German Foundation with a capital of £210,000 (half for distressed Germans in England, and half for distressed Britons in Germany).

<sup>162</sup>Cecil, *op. cit.*, pp. 182-183.

Cassel.<sup>163</sup> Knowing of the formidable new Navy Law in preparation in Germany, the Chancellor of the Exchequer (Lloyd George) thought that a serious effort should be made to arrive at an understanding with Germany. So he and Churchill jointly consulted Sir Edward Grey, and then with the Prime Minister's concurrence invited Cassel to go to Berlin. "Sir Ernest was qualified for this task, as he knew the Emperor well and was at the same time devoted to British interests." Cassel returned on 30th January 1912, after a two days' stay in Berlin, with a cordial letter from the Emperor and a statement on the new Naval Law by the Chancellor. He had seen both accompanied by Ballin. The Cabinet thereupon decided to send Mr. Haldane, the Secretary of War, to Berlin for actual negotiations. A cable, drafted by Cassel, Churchill, Grey and Haldane, was despatched to Ballin, indicating the British government's willingness to discuss a naval understanding, on the basis of an alteration of the tempo of the new construction programme (i.e. spreading the six-year-programme over twelve years). On Berlin's acceptance, Haldane left for Berlin on February 6, accompanied by Cassel. There are considerable differences between Churchill's short account of the days between the Cassel Mission and Haldane's and the more detailed well-documented accounts by Rosenbaum and Cecil which, however, do not affect the earlier story.

On the very first day of the Haldane Mission's visit, Bethmann-Hollweg, who had never liked private diplomacy, suggested that Ballin and Cassel could now leave Berlin. Haldane forcefully objected and declared himself to be in need of Cassel's assistance. Ballin had to ask for the Emperor's intervention, who acquiesced in Haldane's request.

The Haldane Mission proved a failure, as Germany was not ready for real concessions in her naval programme and because of her insistence on a British declaration of neutrality. As a member of Wilhelm's entourage wrote to Ballin after Haldane's visit:

"What I absorbed as an attentive listener for many hours is the impression that your great effort will be frustrated in the hands of the professionals, primarily because of inability, and partly due to bureaucratic superciliousness, we won't courageously grasp the chance . . ."<sup>164</sup>

<sup>163</sup>W. S. Churchill, *The World Crisis, 1911-1916*, London 1938, vol. I, pp. 71 ff. - Churchill's story, however, is supplemented by Sir Edward Grey's story, as told by G. M. Trevelyan, *Grey of Fallodon*, London 1937, (1945), p. 228: "Haldane's mission... originated from a suggestion conveyed through Sir Ernest Cassel and Herr Ballin that a British Mission should go over and pave the way for a *rapprochement*. Mr. Winston Churchill tells us that Lloyd George had helped to set the ball rolling; when it came back to Grey he understood that the invitation had the support of the Kaiser and he therefore considered that it ought to be accepted, though he had no great hopes of success." It would seem to this writer that Churchill, who recently (1911) had become First Lord of the Admiralty, when faced with the need of competing with the German construction programme, may, with the connivance of Lloyd George who as Chancellor of the Exchequer wanted to avoid if possible such a heavy expenditure, have suggested to his friend Cassel that he proceed privately in the way Harold Nicolson described.

<sup>164</sup>Huldermann, *op. cit.*, p. 270.





Sir Ernest Cassel, Albert Ballin, Felix Cassel and Max M. Warburg in 1913



Are we as welcome as ever?

Max Beerbohm's cartoon showing Ernest Cassel, Alfred Rothschild, Edward Lawson, Arthur Sassoon and Leopold Rothschild

*From 'Fifty Caricatures'*



But Bethmann-Hollweg asked Ballin to do what he could, through "private discreet support, to keep exchange of views going."<sup>165</sup>

Two years later, a last futile mediation attempt was made by the two friends. Early in 1914 Ballin wrote to Cassel that if Churchill and Tirpitz could be brought together, they might come to an understanding. Cassel reported that Churchill was eager for such an opportunity. Ballin suggested to the Emperor that Churchill be invited to the "Kiel Week" in June, but Wilhelm insisted that the British government, according to protocol, would first have to ask for his agreement, which then would be granted with pleasure. But, obviously, no such request had come forth. And a few weeks later the War started, a war which according to Ballin was "the most stupid of all wars, to prevent which no Bismarck was needed."<sup>166</sup>

#### XV. "ARE WE AS WELCOME AS EVER?"

It was under this caption that Max Beerbohm in a cartoon<sup>167</sup> shows Cassel, two Rothschilds, Lord Burnham and Arthur Sassoon before the door of Edward's successor. The underlying question was whether there would be a place in the new era for the great financiers of enterprise who, like Cassel, had done so much for Egypt's development, or his sponsor Hirsch, whose railway enterprise had opened up the Balkans? The question was justified: a curtain seemed to have fallen on an entire epoch.

In May, 1910, King Edward had died. His death was the end of Cassel's and some other financial knights' influential position at court. It was a moment to which some resentful members of High Society had been looking forward. As Lady C. had remarked to W. S. Blunt, "There will be a regular sweep of the people who used to be about the Court, the Jews and the second-rate women that the King preferred to his aristocracy because they amused him. The Prince of Wales [i.e. King George V.] hates all these and would have nothing to do with them."<sup>168</sup>

Many members of the Establishment and Society must have felt somewhat awkward when in the company of their late King whose "mind moved with a swiftness that could hardly fail to disconcert the slow-thinking among his advisors who would also be likely to find his frankness startling and his directness of

<sup>165</sup>Cecil, *op. cit.*, p. 192.

<sup>166</sup>C. P. Gooch, *Recent Revelations of European Diplomacy*, 4th ed., London 1940, p. 89.

<sup>167</sup>By chance we have two written accounts of the same afternoon in March, 1954, when Beerbohm referred to this cartoon. S. N. Behrman in his *Portrait of Max* (New York 1960, p. 220) recalls that Max said, "These five men, all of them Jewish financiers, are friends of Edward, coming for the first time to see the new King George the Fifth and being somewhat apprehensive, don't you know?" Edmund Wilson in an article in *Encounter* (No. 123, December 1963), on 'Meetings with Max Beerbohm', quotes the artist as saying, "Those . . . 'were the friends of Edward VII', and he went on to explain rather slyly that the occasion for this caricature had been the accession of George V . . . He added, after a second's pause, about the new king: 'Didn't need to borrow money so often, don't you know'. He said nothing about these friends being Jewish."

<sup>168</sup>Blunt, *op. cit.*, vol. II. p. 314.

purpose uncomfortable".<sup>169</sup> And it was because of that, probably, that "he felt himself most thoroughly at home with Jews and the French, of all the alien nationalities".<sup>170</sup>

Already when Prince of Wales his entourage had included "many Jews, a race for whose intelligence, cosmopolitan outlook and cynical wit [he] had developed a great predilection. It numbered actresses, society beauties, bankers and sportsmen, as well as ambassadors and the wittiest and most vivacious members of the old aristocracy".<sup>171</sup> In addition, ample resources were required to offer the Prince the lavish hospitality, the expensive entertainment and sports which he enjoyed so much.

It was probably on this basis that the unique relationship between Edward and Cassel had originated. They had first met some time in 1896 or 1897, apparently when Cassel was introduced to the Prince at a race-meeting as an executor of the late Baron Hirsch. It was the beginning of the happiest period in Cassel's life.

In his house at 48 Grosvenor Square Cassel entertained in grand style. In 1889 he started breeding race-horses, until 1894 in partnership with Lord Willoughby de Broke, and alone thereafter, and by 1896 he was racing his own horses, without, however, getting nearer to winning the Derby than second with "Hapsburg" in 1914. He also taught himself, with determination, to ride to hounds and to shoot, and became quite proficient in both sports. He could even aspire to being elected "Master of the Quorn", an affront to many of those "belonging" that was not forgotten even after his death.

"... A full-blown German naturalized in England. Do you remember how he used to speak ... how he looked when sitting on a horse? Do you think for a moment he could have been a Master of the Quorn? ... I suggest his German accent ... this suggestion is grotesque ... It requires a man born and bred in the saddle for that position."

Thus the Attorney for the defence, Hayes, in the defamation law suit of Winston Churchill against Lord Douglas.<sup>172</sup>

Similar feelings, probably, prevented, in spite of the Prince's patronage, his election to the Jockey Club until 1908. Yet he never cared much for the society there or at the Marlborough Club, but preferred the brighter feminine company around Edward. He became a "feature of that smart and evanescent world which would have been incomplete without him and exercised much influence".<sup>173</sup>

To entertain his friends he bought in 1899 the estates of Moulton Paddocks, Newmarket. Here he had his stud-farm, here he organized his hunting parties, and here he frequently entertained the King, who invariably made Moulton Paddocks his home when staying at Newmarket.

<sup>169</sup>W. Steed, *Through Thirty Years*, New York 1922, vol. I, p. 237.

<sup>170</sup>Benson, *op. cit.*, p. 237.

<sup>171</sup>Connell, *op. cit.*, p. 242.

<sup>172</sup>Rabinowicz, *op. cit.*, p. 183.

<sup>173</sup>Vansittart, *op. cit.*, p. 61.

In 1912 he acquired Six Mile Bottom, Cambridge, and a year later Branksome Dene, Bournemouth; in 1917 Upper Hare Park, Cambridge. In Paris Cassel maintained a flat, always ready for him or for his friends. Just a month before his death he bought the *Villa des Lèdres* at Cap Ferrat, once the property of Leopold of Belgium, but he never set foot in it.

When he acquired Brook House, Park Lane, in 1905, it took three years, a pile of marble and a pile of money to rebuild it to Cassel's requirements. Six marble-lined kitchens catered for an oak-panelled dining-room designed to seat a hundred guests in comfort. The entrance hall was panelled in lapis lazuli alternating with green-veined cream-coloured marble. The library was furnished in cherrywood with black Wedgwood *cameos* inset under the bookshelves. A staff of thirty-one was required to run the household, among them, in the season, footmen in livery and with powdered hair.

Cassel had also become an art collector on a grand scale. He was one of Duveen's main customers. Valuable Renaissance bronzes, Dresden china, Chinese jades, old French and English furniture, and particularly a collection of English silver, including unique historical pieces, like the Wolsey beaker, the Bacon cup (1573) and the Blacksmith cup (1655) crammed the rooms and the basement strong-room. On the walls hung paintings by Botticelli, Van Dyck, Frans Hals, Murillo, Raeburn, Reynolds and Romney. And his library was full of rare volumes. As his friend Benson noted, he bought anything that was sufficiently expensive and of guaranteed quality, but all such were only the trappings suitable for a very wealthy man. He had no instinctive tastes for art or sport or literature.<sup>174</sup>

“There was about Cassel,” says Benson, “something of that strange and barren inhumanity which is not rare among those whose abilities have long and exclusively been devoted to the acquisition of wealth. Often they lose all power of other enjoyments, and when the keenness for money begins to be blunted, there is no other savour for them in life, and this curious impotence to experience pleasure results.”<sup>175</sup>

Endowed with “astonishing qualities of firm judgment, a strong will and an unerring will”<sup>176</sup>, “a wonderful mathematical mind of unerring judgment”<sup>177</sup> Cassel showed a Midas touch in his “fanatical application to the acquisition of wealth.”<sup>178</sup> “Hardened by a dozen years of fanatically hard work, in an age when there were no privileges without birth”<sup>179</sup> Cassel had accomplished within just over two decades what two or more generations of Rothschilds or Hirschs had achieved. And for that he had to pay a high price.

<sup>174</sup>Bearing in mind these statements by Benson (*op. cit.*, pp. 238-239) and Connell (*op. cit.*, p. 71) one is surprised and amused when reading in Birmingham's recent book *Our Crowd* that Cassel was Jacob H. Schiff's “guide” and mentor in art-collecting.

<sup>175</sup>Benson, *op. cit.*, p. 239.

<sup>176</sup>Connell, *op. cit.*, p. 54.

<sup>177</sup>*Ibid.*, p. 77.

<sup>178</sup>*Ibid.*, p. 55.

<sup>179</sup>*Ibid.*, p. 61.

Cassel has often been called a "Prince of Charity" — something of a misnomer. True, he had given away at least two million pounds sterling, a tremendous fortune in those days — three-quarters thereof during the last decade of his life. But these gifts were to him, like his race horses, his hunting parties and his collections, attributes of wealth, a status symbol. Some of the biggest contributions were gracious gifts to please his friends for purposes he had little interest in. The first big contribution, the biggest in fact, to be given to any charity up till then, was a gift of £200,000 to the King on his ascension to the throne, which was used for the erection of a tuberculosis hospital. And it was at the King's suggestion that he, in 1909, provided £46,000 as his half share for setting up (jointly with Lord Iveagh) the Radium Institute. Other gifts, such as the travelling eye clinics in Egypt, were connected with his wide field of activities. He also remembered the town of his birth, Cologne, which received a million marks for a women's sanatorium.

It was "not long before his death" (actually in 1919) that Richard Haldane visited his friend Cassel, a man "of great intelligence about the necessities of the British nation". Cassel who seemed to Haldane to be looking ill, surprised him by saying he would like to spend a million pounds on bettering the conditions of the poor. Haldane persuaded him to do something really constructive and Cassel agreed to a trust fund of £500,000, with Haldane, Balfour, Asquith and Sidney Webb as trustees, for the support of the Workers' Educational Association, the establishment of a faculty of Commerce in the London University (i.e. the London School of Economics) and sundry educational purposes; as well as £212,000 for founding a hospital for functional nervous diseases. Cassel was still able to participate actively in the early work of the trustees.<sup>180</sup>

An attempt by Israel Cohen to obtain a grant from this trust fund for the newly-established Hebrew University obviously did not find much support from the Webbs.<sup>181</sup> Nor do we find any other Jewish charitable institution among the recipients of Cassel's largesse. True, he had, as the *Jewish Chronicle* (23rd September 1921) noted in a short obituary, "for many years past dissociated himself from Judaism". He had indeed, in a rather dramatic way embraced Catholicism beside his wife's deathbed, but in spite of months of intensive study, had never been converted to the church's doctrine. As Connell says, "he remained a communicant without being able to accept the belief... the faith of his fathers was too strong".<sup>182</sup> One may question the correctness of those last words — Cassel was, as far as we know, rather an agnostic.

His early years were spent in a "Jewish environment"; — Bischoffsheim and Goldschmidt, Jacob H. Schiff of Kuhn, Loeb & Co., New York; Eduard Noetzelin of the *Banque de Paris et des Pays Bas*, Franz Philippson, Brussels; Wertheim & Gompertz, Amsterdam; Mannheimer in Goeteborg; Baron Hirsch; Albert Ballin and Max Warburg, Hamburg; Karl Morawitz, Vienna; Saemy Japhet, London;

<sup>180</sup>Haldane, *op. cit.*, pp. 317-318.

<sup>181</sup>J. Cohen, *A Jewish Pilgrimage*, London 1956, p. 171.

<sup>182</sup>Connell, *op. cit.*, p. 61.

Suares, Harari, Cattau in Egypt; but the higher he climbed, the more alienated he was from Jewish elements.

His conversion had been kept a secret. Only on being sworn in as a Privy Councillor in 1902, on the Catholic Bible, did the fact become known to a few court functionaries. Again, when taking the oath in the Privy Council after King George V's ascent, Cassel's being sworn in together with the Catholic Councillors caused general surprise.<sup>183</sup> Would Baron Hirsch, one wonders, have made Cassel a shareholder and director in the Jewish Colonization Association, had he known this? And how is it to be explained that it did not affect Cassel's relationship with so loyal a Jew as Jacob Schiff?<sup>184</sup>

In the group surrounding King Edward there were also Louis Bischoffsheim, Cassel's former employer and Edward's intimate friends at the close of the century, the Rothschilds, the Sassoons, but it is not known what Cassel's relations were with them. There was one fundamental difference between the Rothschilds and Cassel: when King Edward in May 1907 was to meet the Russian Emperor at Reval, he received a letter from the Rothschilds requesting his intercession on behalf of the persecuted Russian Jews, and one from Cassel asking support concerning Russian loans. Cassel's "unashamedly self-interested, cold-blooded approach" gave rise to caustic commentaries in the King's entourage. As Hardinge wrote to Knollys on 4. 6. 1907: "It amuses me to see how the Jews, though hating the Russian government, are always ready to give them money, if they can 'make a bit'".<sup>185</sup>

Was it really greed which drew Cassel to the Russian business, or did he sincerely believe, as he had written to Schiff, that by supporting the Stolypin regime, Jewish financiers abroad could achieve an amelioration in the situation of their Russian brethren?

The King knew more and understood better the implications for the British economy of Cassel's ideas, than the Establishment. After all, "the kinds of men to be found in the service of the State — and, more important, the kinds of incentives that impel them, are not necessarily those most conducive to innovation and economic growth".<sup>186</sup> And we can appreciate the uneasiness and antagonism which Cassel's close friendship with the King must have provoked. "Indeed, his position was to cause much active resentment in government circles and... he encountered much opposition."<sup>187</sup>

Theirs was a unique friendship. When they first met, in 1896, the relationship was one of mutual advantage. The Prince, addicted to extravagant expenditure, was glad to find a successor of proven judgment and integrity to the late Baron

<sup>183</sup>Blunt, *op. cit.*, vol. II, p. 314.

<sup>184</sup>It is significant that in 1903 Theodor Herzl and Lord Rothschild considered Cassel as a possible head for the organization to finance the Jewish Settlement of El-Arish (Th. Herzl, *Tagebücher*, vol. III, Berlin 1925, p. 326).

<sup>185</sup>Magnus, *op. cit.*, pp. 406-407.

<sup>186</sup>R. Cameron, *Banking in the Early Stages of Industrialization*, Oxford 1967, p. 320.

<sup>187</sup>Connel, *op. cit.*

Hirsch, who could advise him on profitable investment, and he enjoyed the entertainment which only people with resources like Cassel could offer. For Cassel a place in the Prince's company meant a short-cut into High Society in which a man's place and position was decided by family and not by fortune. The surprising fact that such a friendly relationship should have ripened into intimacy has caused some authors to look for the "psychological point of contact". Apart from a certain superficial resemblance, on which many authors commented, and a common Germanic guttural "r" in their accent they were as different as could be.

The Prince and later King, surrounded by courtiers and flatterers, learned that he could rely on the advice and opinion and the uncompromising honesty of Cassel, who, purged of most emotions by the pursuit of making money, had become an unbiased and objective observer of men and affairs in any other context.<sup>188</sup> And Cassel responded with a deep emotional loyalty to the friendship offered to him.

He was practically the last one to see the King, who had sent for him and insisted on sitting up, fully dressed, although breathless and speaking only with difficulty. Shortly afterwards he collapsed.

The day after his death the Privy Council was sworn in, and after the meeting, as Margot Asquith recorded, Cassel came over to see her and "we cried together on the sofa".<sup>189</sup>

As Margot Asquith said of Cassel, his was "a power of loving those he cared for which I find rare". Her view seems to contradict that of other sympathetic observers who considered him a kind man, but devoid of emotions. Still, his relation to the King seems to have been a deeply emotional one, as was his devotion to his daughter Maud, born in 1879. "Something in this fresh, young Englishwoman released in him all the pent-up emotions repressed under a forbidding exterior."<sup>190</sup>

A fortnight before his accession Edward had assisted at Maud's wedding to Wilfrid Ashley, the scion of a family which counted Lord Melbourne, Shaftesbury and Palmerston among its ancestors, and who was himself to become Lord Mount-Temple. The King was godfather to Edwina, their first-born daughter. Her sister Mary was born five years later. In 1911, a year after the death of Edward VII, Maud, too, died, from the same disease that had killed her mother. Cassel was desolate.

Soon after his wife's death Cassel brought his sister (Schoenbrunn), who had been divorced, and her children to live with him in London, and at his request they re-adopted her maiden name. Her son Felix Cassel, P.C., Q.C., who had been acting as Attorney-General, became, in a way, Sir Ernest's crown prince. He was married to Lady Grimstone, daughter of the Earl of Verulam. His sister, Anna Jenkins, mother of the Countess of Brecknock, now became Cassel's official

<sup>188</sup>*Ibid.*, p. 68.

<sup>189</sup>Margot Asquith, *Autobiography*, London 1936, p. 103.

<sup>190</sup>Connell, *op. cit.*, p. 61.



hostess, as her mother, who was ailing, lived at Bournemouth, in the place Cassel had bought for her.

In 1922 his grand-daughter Edwina was married to Lord Louis Mountbatten, a grand-nephew of Edward's. Cassel had not lived to see what would have been to him a fulfillment of all his dreams and ambitions: the ties of his friendship with Edward perpetuated in a family tie.

Cassel was a lonely man. Ever since Edward's death he had complained of his waning influence in high places though he was still used by the government for some special missions. And even after the war, a few months before his death, Ed. Arnhold, the German coal magnate who had been one of the trustees of Cassel's Anglo-German Foundation, wrote home from London on the 5th May 1921: "Cassel is not so completely without influence. Of his old friends Balfour and Churchill still are his pals. His son-in-law is an M.P., his nephew and crown prince is in a high position with the army and navy."<sup>191</sup> Nevertheless, Cassel had outlived himself. He was, as Vansittart said, "the saddest of millionaires".

It was towards the end of his days that Cassel once said to his secretary, Miss Underhill, "You know, money does not make for happiness."<sup>192</sup> Through his last decade, indeed, there runs a strong current of sadness.

The King, whose friendship had been the only real pleasure and happiness his material achievements had brought him, had died in 1910, and a year later he had lost his daughter. Furthermore, the operations and negotiations which he had started so auspiciously in Turkey, were suddenly disowned by the Foreign Office. Cassel was tired and disillusioned.

Then the war broke out which he had been so anxious to prevent. There was no doubt that he was loyal to his country of adoption. Still, there were tongues wagging... was it not strange that none of the heavy air-raids took place when Cassel stayed in London? Obviously, he had a specially designed wireless installed on the roof of Brook House by which he informed the German planes of his presence.<sup>193</sup>

Many of those who had enjoyed his hospitality, who had travelled and been treated at his expense, who had made big money on his advice, who had sat bright-eyed with expectation in the hope that he would ask them to be his guests when the King dined at Brook House, or to stay with him at the Paddocks when the King was there, now turned cold and elegant shoulders towards him. He was a "Hun", they said; but surely they had known that before? He was a Jew, they said; but that had not prevented those of Norman blood from refreshing themselves with his excellent champagne.<sup>194</sup>

There came to the surface now a resentment of the late King's friendship with a man who, without the privileges of lineage or birth, had penetrated into Society.

<sup>191</sup>E. Arnhold, *Ein Gedenkbuch*, Berlin 1928, p. 80.

<sup>192</sup>Connell, *op. cit.*, p. 56.

<sup>193</sup>Benson, *op. cit.*, p. 43.

<sup>194</sup>*Ibid.*, p. 245.



Quite characteristic is a remark of Lord Esher. Towards the end of 1907 Esher had written a letter, subsequently published, to the Navy League opposing the proposal of the House of Commons to reduce the Navy's budget. That the King was disturbed, seemed "very natural" to Esher; but that Cassel was critical was due to his "taking the German and Semitic point of view while the English will have to fight for their lives." The Cassels are "at home in all lands — equally rich, equally composed".<sup>195</sup>

Somewhere else we learn of a letter used by a certain peeress as an instrument to blackmail Cassel, which, when proved to be a forgery, was given up to him with humble apologies and the promise never to be naughty again.<sup>196</sup> And we learn how Edward was once extremely displeased with the sister of a well-known peeress, who, after some fantastic dancing, playfully knelt before him whereupon he smilingly said "Thank you, Lady Salome, have you come to claim half my Kingdom?" "No King Herod" — she replied — "but do give me Sir Ernest Cassel's head on a charger."<sup>197</sup>

With such feelings prevalent in the more normal time of peace, it is not surprising that during the war Cassel's right to retain his membership in the Privy Council was challenged in court. At the end of 1915 Lord Reading presided over a Court of three judges before whom Sir George Makgill laid information against Cassel and Sir Edgar Speyer, calling upon them to show by what right they (as of German birth) claimed to retain their membership in the Privy Council, after the coming into force of the British Nationality and Status of Aliens Act of 1914. The verdict was in Cassel's and Speyer's favour.<sup>198</sup> Cassel had just returned from the U.S., where he had been a member of an Allied Mission to raise a war-loan of \$500,000,000 and he himself had been a substantial subscriber. "The success of the law-suit in no way softened the hardness of the step taken against him. But he behaved with the utmost correctness."<sup>199</sup>

Cassel had been a financial genius, admired by many who did business with him. His quick decisions seem to indicate a reliance on instinct rather than on reasoning, but it may have been a mixture of both. The swiftness of his mind helped him to reach decisions while listening to a proposition. He was, as Japhet tells us, the best listener he ever met.<sup>200</sup> And Somary recalls "Once Cassel listened, he was possessed of a power I never saw a second time. He got out (from the speaker) everything, increasing his (the speaker's) self-assurance and helping him to clarify his mind."<sup>201</sup> As negotiator he was supreme. "My friend Cassel" — Ballin said — "no doubt, is an extraordinarily able negotiator. In my experience of many years in this field I hardly remember having met a man who through

<sup>195</sup>Esher, *op. cit.*, pp. 286-289, 295.

<sup>196</sup>Anonymous, *Uncensored Recollections*, London 1924, p. 219.

<sup>197</sup>*Ibid.*, p. 330.

<sup>198</sup>Lord Reading, *Rufus Isaacs, First Marquess of Reading*, II, London 1945, pp. 18-19.

<sup>199</sup>Emden, *Jews of Britain*, p. 346. - One will probably feel more sympathy with Sir Edgar Speyer, the patron of the arts in London, who resigned his membership in the Privy Council and left Britain for the U.S.

<sup>200</sup>Japhet, *op. cit.*, p. 104.

hours at a time could carry on a discussion with so much deliberation and such concentration on his purpose."<sup>202</sup>

If his method was not always admired, it may have been because Cassel, as Connell put it, "ploughed a lone, scrupulously honest and, let it be said, hard and ruthless furrow".<sup>203</sup>

His was a "flinty" personality; dark, stocky, with a slightly furtive air,<sup>204</sup> "a man of dour appearance, much generosity and considerable ambitions",<sup>205</sup> a "repressed nature, without charm and possibly hard and stubborn in his office in which he believed he could command".<sup>206</sup> His steely, cold glance<sup>207</sup> rarely brightened into a warm smile. His was not a personality easily inviting intimacy. Only a small number of those who established a social or business relationship with him on a basis of intellectual equality were able to bridge over his repressions towards his friendship and affection.

He had amassed a fortune. After having given away about two millions to charity, his estate, at depressed post-war prices, proved to be £7.5 million. And taking into account his lavish spending over the last twenty-five years, some observers calculate his total earnings over his life-time at approximately fifteen million pounds.

His fortune gave him power over men and institutions, but as Emden emphasizes, "to his credit it must be said that this power was not once misused by him and the genius of this financier was never directed to any other aim than the service of the Empire."<sup>208</sup> But empire building was a thing of the past, and a sharp eye could discern fine fissures in the Empire's structure.

Cassel died alone on the 21st September, 1921, sitting at his desk — "a pathetic figure, a sermon on the vanity of great wealth."<sup>209</sup>

Few of the Court Jews had a happy end. Some died on the gallows, like *Jud Süß*, or were disgraced and impoverished, like Samuel Oppenheimer, the most powerful among them. While they were loyally serving their masters, they earned the envy of the Establishment, the hatred of the masses. The death of the masters whose favours they enjoyed usually spelt the end of their positions at the seat of power.

Cassel's life was not threatened; nobody tried to deprive him of his fortune. But he was made to feel the loss of his position, to experience frustration and humiliation. He was suddenly made aware that he stood between two worlds, and belonged to neither; one he had rejected, the other had rejected him. He died in no-man's land.

<sup>201</sup>Somary, *op. cit.*, p. 95.

<sup>202</sup>Huldermann, *op. cit.*

<sup>203</sup>Connell, *op. cit.*, p. 50.

<sup>204</sup>*Ibid.*, pp. 60, 67.

<sup>205</sup>Vansittart, *op. cit.*, p. 61.

<sup>206</sup>Münz, *op. cit.*, p. 225.

<sup>207</sup>*Ibid.*, p. 216.

<sup>208</sup>Emden, *Jews of Britain*, p. 330.

<sup>209</sup>*Ibid.*, p. 343.

